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EFFORTS TO PREVENT FRAUD, WASTE AND MISMANAGEMENT

THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

A PROGRESS REPORT TO THE PRESIDENT

FISCAL YEAR 1988

Pr 40.8/3:

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447-8001

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472-3148

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Inspector General
755-6430

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312-751-4690

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Department of Transportation
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366-1959

Department of the Treasury
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566-6900

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Inspector General
485-7931

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Inspector General-Designate
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EFFORTS TO PREVENT FRAUD, WASTE AND MISMANAGEMENT

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FISCAL YEAR 1988

President's Council on Integrity and Efficiency

Foreword

This year marks the 10th anniversary of the Inspector General Act Amendments of 1978 which created "independent and objective" Offices of Inspector General to fight fraud, waste and abuse in twelve Federal programs. Although Congress established the first two statutory Inspectors General in 1976 and 1977, it was this Act which made Inspectors General a central part of the Federal Government's fight against inefficiency and wrongdoing in Federal programs.

In its second session the 100th Congress passed major amendments to the Inspectors General Act. These measures strengthened the Inspector General community by bringing to 24 the number of Presidentially-appointed Inspectors General; thus extending the concept to the last two Cabinet level Departments without Inspectors General: Treasury and Justice. As such, their fiscal accomplishments will be included in PCIE reports as of Fiscal Year 1989. The amendments also created Inspectors General, to be appointed by their agency head, in 33 smaller agencies. The PCIE assisted Congress in the study which identified those agencies. These Inspectors General will, like their Presidentially-appointed counterparts, report their findings to both their agency and to the Congress.

This year has also been distinguished by the accomplishments of the Inspector General community. In this year alone the Inspectors General enabled the Government to recover or put to better use over $21 billion in Federal funds and were responsible for 4,298 successful prosecutions and 2,481 debarment and suspension actions against persons or firms doing business with the Government.

As the Vice Chairperson of the PCIE for the last 3 years, I am very proud to report our accomplishments to the American people. I urge the new Administration to use the PCIE and its member Inspectors General in the fight against inefficiency and wrongdoing in Federal programs.

Richard P. Kusserow
Vice Chairperson, President's Council
on Integrity and Efficiency

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Introduction

Progress Report of the President's Council on Integrity and Efficiency

October 1, 1987 - September 30, 1988

The President's Council on Integrity and Efficiency (PCIE) was established by President Reagan in March 1981 to coordinate and implement Government-wide activities to combat fraud and waste in Federal programs and operations. The PCIE is chaired by the Deputy Director of the Office Management and Budget (OMB). The PCIE membership during this reporting period included the 19 statutory Inspectors General (IG), the Associate Attorney General, the Deputy Director of the Office of Personnel Management, the Executive Assistant Director for Investigations of the Federal Bureau of Investigation, the Director of the Office of Government Ethics, the Special Counsel of the Merit Systems Protection Board, and a designee of the Secretary of the Treasury.

This progress report recaps the accomplishments of the PCIE during Fiscal Year 1988. The report highlights the accomplishments of the IGs to reduce fraud and waste and to insure integrity and efficiency in Federal programs and operations. Accomplishments of the IGs during the reporting period include:

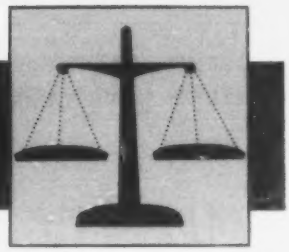
- 4,298 successful prosecutions (Table 1);
- $626 million in investigations recoveries (Table 2) and another $13.4 million in administrative penalties;
- 2,481 debarments and suspensions of persons or firms doing business with the Government (Table 3);
- $1.3 billion in recoveries and restitutions arising from Inspector General findings (Table 4);
- $9.5 billion in savings and avoidance of unnecessary expenditures (Table 5);
- 10,442 allegations of fraud, waste or mismanagement received over IGs' hotlines.

The PCIE has also enabled the Inspectors General to combine their efforts to accomplish more together than the Inspectors General could accomplish on their own. The Council established management controls over new technologies and new procedures to increase the efficiency of audits and investigations. For example, this year's "Guide to Auditing for Controls and Security: A Systems Development Life Cycle Approach," is designed to help auditors understand the need for audit involvement in systems under development, identify systems for audit involvement and create an audit program for review of an automated information system during each phase of the system development cycle.

The Inspectors General also coordinate their efforts in the legislative and regulatory processes by advising and working with their respective agency management, the Office of Management and Budget, and Members of Congress. This year, the PCIE was particularly involved in the passage of the Inspector General Act Amendments of 1988. The PCIE conducted a study which assisted Congress in drafting the amendments. Members of the PCIE testified on the merits of the bill, and the PCIE suggested various technical amendments, many of which were adopted.

SECTION I - PCIE INVESTIGATION ACTIVITIES

SUCCESSFUL PROSECUTIONS



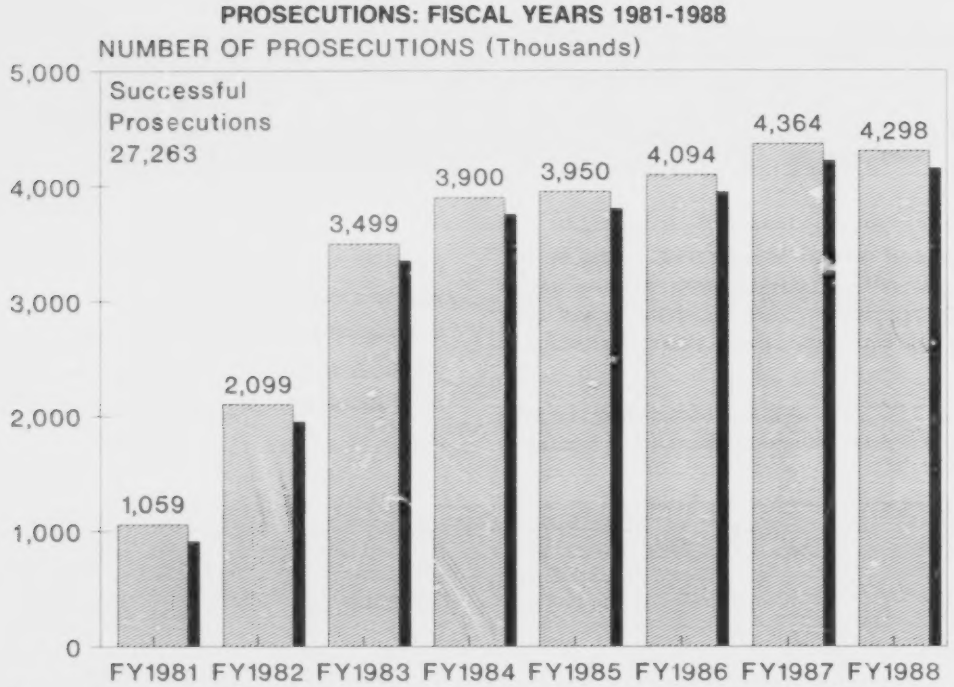
The Inspectors General conduct investigations of contractors, program participants, and Government employees that can lead to prosecutions. These prosecutions result in convictions that carry penalties such as prison terms, fines, settlements and recoveries to the Government.

During Fiscal Year 1988, IGs working independently or with other Federal and nonfederal agencies obtained 4,298 successful prosecutions. This total represents the number of individuals who, as a result of Office of Inspector General investigations, are either found guilty by a Federal or State court or are the subject of pretrial diversion settlements. Over the past 7½ years since the PCIE was established there have been 27,263 successful prosecutions.

TABLE 1. SUCCESSFUL PROSECUTIONS

AGENCIES	TOTAL
Agriculture	646
Agency for International Development	11
Commerce	17
Defense	679
Education	100
Energy	15
Environmental Protection Agency	27
General Services Administration	53
Health and Human Services	1,225
Housing and Urban Development	213
Interior	28
Labor	846
National Aeronautics and Space Administration	10
Railroad Retirement Board	55
Small Business Administration	27
State	15
Transportation	70
United States Information Agency	0
Veterans Administration	261
FY 1988 Total	4,298

Included are joint investigations with other Federal agencies in which an agency expended significant investigative resources working jointly with another Federal agency (e.g., another OIG, IRS, INS, FBI, etc.). The above does not include convictions obtained by the FBI, the Department of the Treasury, or the Department of Defense under the Military Justice System.



Aggressive and innovative actions by the IGs have more than doubled from 2,099 successful prosecutions in Fiscal Year 1982 to 4,298 in Fiscal Year 1988. Since 1981, Inspector General activity has resulted in 27,263 successful civil and criminal prosecutions recommended by the Inspectors General, working independently or with other Federal and nonfederal agencies.

Government Contractor Cases

Contractor Pleads Guilty to Bid Rigging

An investigation by the Defense Criminal Investigative Service resulted in a company and its vice president pleading guilty to rigging bids on dredging construction projects awarded by the Army Corps of Engineers. The company and vice president conspired with others to suppress and eliminate competition in the awarding of hydraulic cutter head (pipeline) dredging projects in the Gulf of Mexico. The company was sentenced to pay a criminal fine of $1 million, with $100,000 suspended, contingent upon its paying $900,000 plus an additional $900,000 agreed to in a separate civil settlement. The company is on probation for 2 years. The vice president later waived indictment and pled guilty. He was sentenced to 3 years imprisonment (all but 90 days suspended), fined $7,500, and placed on 5 years probation. He must also perform 312 hours of community service. (Department of Defense)

Clinic Owner-Operator Sentenced for Submitting False Medicare Billings

Following an extensive OIG investigation the owner-operator of a degenerative disease clinic in Nevada was sentenced to a total of 9 years in prison for falsely billing Medicare and private insurance companies. She was also excluded from participation in the Medicare and Medicaid programs for 20 years. The clinic had advertised nationally, offering cures for serious diseases ranging from mental retardation to cancer, through intravenous administration of dimethyl sulfoxide. Dimethyl sulfoxide is a wood by-product used as an industrial solvent and approved by the Food and Drug Administration (FDA) only for treatment of cystitis. The clinic billed for services not provided, and it did not report use of dimethyl sulfoxide because Medicare would not pay for treatment not approved by the FDA. The alert carrier consistently refused to pay for any clinic-related claims, thereby preventing Medicare from being defrauded. (Department of Health and Human Services)

Two Subcontractor Officials Each Receive 30-Year Sentence in Bid Rigging Conspiracy

As a result of an OIG investigation, two officials of a Department of Energy (DOE) subcontractor were convicted on 10 counts of conspiracy, bribery, and false statements for participating in a bid-rigging conspiracy that cost the DOE $1.3 million. The defendants and others paid a bribe of $40,000 to the chief purchasing agent of a DOE operating contractor. In return, they were provided inside information on the bids made by competitors. Each defendant was fined $25,000 and sentenced to 30 years imprisonment. Five other participants in the conspiracy were

convicted earlier and are now serving prison terms. Two additional defendants are awaiting trial. The investigation to date has resulted in fines of over $130,000, the recovery of $256,000, and the debarment of 15 individuals and firms. (Department of Energy)

Partitions Supplier Convicted and Sentenced for Conspiracy and False Claims

A GSA partitions supplier and its president were sentenced in U.S. District Court after being convicted of conspiracy, submitting false claims, and preparing false statements. The company and its president were each fined $350,000 and the president was sentenced to 9 years in prison (5 years suspended) and 5 years probation. The sentencing resulted from an OIG investigation initiated after an OIG preaward audit detected evidence of false claims and statements, possible income tax violations, and bribery of Government officials. The subsequent OIG investigation uncovered evidence that the contractor had falsified laboratory records in order to obtain its GSA contract. Independent laboratory tests confirmed that the partitions being sold to Federal agencies did not contain the fire retardant material specified in the contract. Instead they contained a cheaper, flammable cardboard filler. As a result of the investigation, GSA officials cancelled the contract and suspended the supplier from receiving future Government contracts. (General Services Administration)

Deficient Electrical Connectors Sold to DOD

An investigation by the Defense Criminal Investigative Service resulted in a Defense contractor's president being found guilty on racketeering and commercial bribery conspiracy charges. Reworked surplus and used electrical connectors for military aircraft—such as the B-52 bomber, F-4 Phantom, F-15 Phantom, F-15 Eagle, and F-16 Falcon—for helicopters, and for submarines, were sold to the Department of Defense (DOD) as new, unused, original-condition merchandise. The official was sentenced to 7 years in jail. He paid the Government $200,000 to cover the costs of the investigation. (Department of Defense)

Clinic Owner Jailed for Medicare Fraud

As the result of an OIG investigation, the owner-operator of two Florida clinics was sentenced to 18 months incarceration in connection with pre-screening Medicare patients, billing the Medicare program for the pre-screening, refusing Health Maintenance Organization (HMO) enrollment to those who were ill and persuading those enrolled who became ill to disenroll. His former office manager, who was convicted for destroying applications of Medicare patients seeking HMO enrollment, was given 25 years probation and 200 hours of public service. The clinics had been affiliated with one of the nation's largest HMOs, which had a multi-million dollar contract to provide services to Medicare patients in exchange for monthly payments from the Health Care Financing Administration. (Department of Health and Human Services)

Supply Firm and President Sentenced for Mail Fraud and Conspiracy

A chemical supply firm and its president were sentenced in U.S. District Court after pleading guilty to mail fraud and conspiracy to defraud the Government. The company was fined $100,000 and ordered to make restitution of $100,000. The president was sentenced to 5 years in prison (54 months suspended) and 54 months probation, fined $25,000 and ordered to perform 3,744 hours of community service. Both subjects were also prohibited from conducting business with the Government and are required to cooperate in any future administrative or civil actions taken against them.

The sentencing resulted from a joint OIG and Defense Criminal Investigative Service investigation. The investigation disclosed that the company falsified laboratory test reports and submitted substandard materials in connection with contracts it held with GSA and the Department of Defense from 1981 to 1985. (General Services Administration)

Four Corporations Conspire to Suppress Competition

As a result of a Federal grand jury investigation, four corporations and eight individuals were charged with conspiring to suppress competition by fixing prices of chain link fencing in a 13-State area in violation of Section 1 of the Sherman Antitrust Act. Of these 12 defendants (four corporations, eight individuals), eight pled no contest, one pled guilty, two were acquitted, and one was convicted at trial. (Department of Transportation)

Subcontractor Official Pleads Guilty and Repays $272,000

As a result of an OIG investigation, a subcontractor official pled guilty to one count of using an interstate facility in the aid of a bribe and was sentenced to 4 years in prison, to be followed by 3 years probation. Imposition of sentence on two counts of false statements was suspended and prosecution on 19 other counts was dropped. The official was charged in connection with a scheme to bribe buyers of a prime contractor in exchange for subcontracts. In furtherance of the scheme, the subcontractor placed numerous telephone calls to the buyers to arrange bribe payments. The prime contractor terminated three of its buyers for engaging in unethical practices. Following negotiations between the prime contractor, the Department of Justice, and the OIG, the prime contractor paid NASA $272,000 to settle claims concerning increased costs incurred on subcontracts affected by the bribery scheme. In response to an OIG recommendation, NASA has

initiated debarment action against the subcontractor and the official. (National Aeronautics and Space Administration)

Contractor Convicted in Wage Fraud Scheme

A joint investigation with the DOL determined that a contractor and two other individuals conspired to defraud their employees of proper wages under the Davis-Bacon Act while working on a Federally funded construction project. The individuals submitted false certifications to the Bureau of Reclamation stating that appropriate wages were paid. These individuals pled guilty and received a total of 2 years in prison (suspended) and 6½ years probation. In addition, the contractor was ordered to pay restitution to victims in the amount of $39,504 and to the U.S. Government in the amount of $11,507, to pay fines in the amount of $15,000, and to perform 100 hours of community service. (Department of the Interior)

Three Plead Guilty in New York Asbestos Bribery Cases

Twenty-five asbestos removal contractors in the New York metropolitan area were arrested and charged with bribing an EPA inspector. Subsequently, 18 contractors were indicted, charged with paying a bribe to induce the EPA inspector to overlook violations of Federal rules and regulations with regard to asbestos removal conducted by the defendants, and to stay away from job sites being worked by their companies. To date three contractors pled guilty to the charges and one contractor was found guilty after a jury trial. The arrests, indictments and convictions are the result of a continuing investigation by the Department of Labor's Office of Labor Racketeering and the OIG. (Environmental Protection Agency)

Scheme to Limit Competition Discovered

An investigation by the Defense Criminal Investigative Service resulted in a dredging contractor and its former vice president pleading guilty to charges of bid rigging, false claims, and false statements on Army Corps of Engineer projects. The defendants admitted to conspiring with other contractors in a scheme to limit competition in the New York and New Jersey harbor areas. They had agreed in advance as to which party would submit the lowest bid and as to how much of the work would be performed by each contractor. The corporation paid $1.2 million in criminal and civil fines. The former vice president was given 3 years probation, fined $10,000 and ordered to perform 400 hours of community service each year for 3 years. (Department of Defense)

U.S. Congressman and Five Others Convicted in 8(a) Bribery and Conspiracy Case

A 4 month trial in New York ended with the convictions of defendants in a complex bribery and conspiracy case involvi section 8(a) Defense Department contractor. The defenda which included a U.S. Congressman and a former SBA Regi Administrator, were convicted of conspiracy involving the brib of public officials in order to obtain Government contracts f section 8(a) firm. The bribes, which had taken the form of c stock, expense reimbursement, and the promise of employn after leaving Government service, had facilitated the growt the firm from a small tool and die shop to a major defense supp with approximately $500 million in Federal contracts ov period of 6 years. The investigation was coordinated by the U Attorney's Office of the Southern district of New York and conducted jointly with the FBI, the SBA/OIG, the IRS, the D OIG, the Defense Criminal Investigative Service of the DOD, the New York City Police Department. (Small Business Adm istration and Department of Labor)

Government Employee Cases

Employee Pleads Guilty to Largest Embezzlement in History

William J. Burns was a Supervisory Fiscal Management S cialist responsible for processing domestic and internati vouchers for goods and services rendered to A.I.D. Burns also Certifying Officer for payment on all vouchers processe his section. Due to weak internal controls and no separatio duties, Burns was able to create vouchers, certify them for p ment, and then cause the U.S. Treasury to issue checks.

In spite of growing outward signs of luxury, Burns did not c under suspicion until an update investigation for his secu clearance disclosed unexplained affluence which was inconsis with his GS-11, $35,000 annual salary. The OIG investiga participated in a grand jury investigation to gather evidenc Burns' scheme. Burns pled guilty in a U.S. District Court to t felony counts and admitted the $1.2 million theft over 6 years part of the plea bargain, he is cooperating with the Departmen Justice and the OIG. The agency has also instituted proced changes to assure that the fraudulent transactions perpetrate Burns will not recur. (Agency for International Developme

Contract Fraud Brings 55-Year Prison Sentence and $200,000 Fine

A former VA Office of Facilities employee, who received m than $300,000 in bribes to influence the awarding and mana

ment of VA construction contracts, was convicted and sentenced to 55 years in prison (30 consecutive years) and fined $200,000. In a related proceeding, a VA architectural engineering contractor was sentenced to 3 years in prison for paying bribes in connection with these same contracts. The spouse of the former VA employee was indicted for her participation in the bribery scheme and is currently a fugitive from justice. This was a joint VA, IRS and FBI investigation. (Veterans Administration)

Health Center Official Convicted of Embezzlement

The chief fiscal officer of a Florida center for health care for the needy was convicted of embezzlement of Government funds. The center received 80 percent of its monies under a contract supported by Public Health Service funds. Some $35,000 was discovered missing, but restitution of only $6,938 was ordered because the law against his illegal fund transfers had been in effect for a limited time. He was also put on 4 years probation and given 350 hours of community service. (Department of Health and Human Services)

Former Customs Inspector Pleads Guilty to Bribery, Drug Possession and Money Laundering Charges

On May 24, 1988, a former Customs Inspector from San Diego pled guilty to bribery, drug possession with intent to distribute, and money laundering charges. The individual allowed large quantities of marijuana to be smuggled into the United States from Mexico through his inspection lane. Customs seized over $1.25 million in money and property from the former inspector, who agreed to the forfeiture. The individual was sentenced in Federal Court to 17-years incarceration and fined $1.75 million. (Department of the Treasury)

Conscientious OIG Employee Foils Bribery Attempt

An employee of the Office of Refugee Resettlement, who was also a licensed attorney, was convicted of bribing an OIG employee to obtain a confidential file. The OIG employee reported being approached with the bribe, and the offending employee and her secretary were apprehended following the transaction. Both were fined and lost their Federal employment. (Department of Health and Human Services)

Former Director of Parks and Recreation Sentenced to 32 Years Imprisonment for Kickback Scheme

The former director of the Guam Department of Parks and Recreation was convicted of one count of conspiracy to commit extortion and five counts of mail fraud for receiving kickbacks from a Guam contractor in exchange for contracts awarded by Parks and Recreation totaling $250,000. The former director was sentenced to a total of 32 years imprisonment, fined $10,000, and ordered to pay $10,000 in restitution and $300 in court costs. The contractor was convicted of two counts of mail fraud and one count of obstruction of justice, sentenced to a total of 15 years imprisonment, fined $2,000, and ordered to pay $25,000 in restitution and $300 in court costs. (Department of the Interior)

Former Employee to Repay $125,000

An investigation of a former Bureau of Alcohol, Tobacco and Firearms (BATF) special agent who was receiving Office of Workers' Compensation Programs (OWCP) payments for an alleged job-related injury, resulted in the employee's admitting that false claims were filed. As part of the pretrial diversion agreement, total restitution in the amount of $125,000 was ordered. The subject has held to this agreement and made one scheduled payment in the amount of $56,051.68 in June 1988. The final payment, $69,070.40, is expected by the end of the year. Since the individual will receive no further OWCP payments, the Government will realize a $1 million cost avoidance. (Department of the Treasury)

Foreign Service National Sentenced for Embezzlement of $75,000

As the result of a joint OIG, FBI and Department of Justice investigation an employee of the American Consulate General in Tijuana, Mexico, was convicted of embezzling over $70,000 from the U.S. Consulate and sentenced to a 5 year prison term by the U.S. District Judge in San Diego, California. Additionally, the employee was ordered to make full restitution of the $75,000 embezzled plus interest. It is the first known prosecution by U.S. authorities of a Foreign Service National for theft from a U.S. Consulate. (Department of State)

"Helpful" Claims Representative Caught Cheating

A claims representative, formerly working in a Social Security Administration office in Alabama, was found guilty of embezzling money from a Social Security beneficiary. Learning that the beneficiary would receive a large check because of a reversal ruled by an administrative law judge, the claims representative told her that she owed a Supplemental Security Income overpayment of $550. He went to her home to collect the money but never gave a receipt. She subsequently gave him $100 for being so helpful. When he went to her home again to ask for $200 for "cancer treatment" in New York (where he was being transferred), she became suspicious and called her attorney. Incarceration for the representative was suspended pending his repaying the beneficiary. (Department of Health and Human Services)

Program Participant Cases

Pilots Convicted of False Statements to the Federal Aviation Administration

The U.S. Attorney in Tampa, Florida, announced that a Federal grand jury has indicated 27 airmen who had falsified their airman medical certificate applications by failing to disclose prior drug and/or alcohol-related convictions to the FAA. These 27 indictments charged the airmen with making one or more false statements. Those indicted included 12 commercial pilots, five of whom are flight instructors; 10 private pilots; two student pilots; and three pilots whose license status is uncertain. These indictments are as a result of a computer matching project which was undertaken to determine if airmen convicted of drug and/or alcohol-related offenses were reporting this information to FAA on their medical certificate applications. The purpose of the match was to test the integrity of the FAA's self-reporting system of disclosing drug and/or alcohol-related offenses. Three separate matches were conducted, each of which showed that about 75 percent of the airmen who had these kinds of convictions had not reported them to FAA, indicating a significant and widespread problem involving thousands of airmen. In addition to the Tampa indictments, numerous similar cases have been referred to U.S. attorneys' offices throughout the country. In several of these jurisdictions, cases have been accepted for further prosecutive consideration and are being pursued by OIG criminal investigators. (Department of Transportation)

Thirty-two Convicted in Day Care Case

As the result of investigations with the State in day care centers in Texas, 32 employees and parents were convicted of fraud in two separate cases involving more than $200,000. In one center, the director, a teacher, and three patients enrolled ineligible children to fraudulently obtain block grant funds. In another, 27 parents were convicted for falsifying employment or other income to receive day care services. (Department of Health and Human Services)

School Owner Sentenced to 15 Years in $690,000 Pell Grant Fraud

The owner of a beauty school in Chicago, Illinois, was sentenced to 10 years imprisonment on racketeering charges plus two concurrent 5 year prison terms on mail fraud and conspiracy charges. Investigation determined that the owner and his employees had falsified attendance records and financial aid documents to obtain $1.4 million in student aid funds, of which the owner personally received over $690,000. Seven of the school's employees received sentences of various amounts of incarceration, probation, monetary fines and community service. In addition to the terms of imprisonment cited above, the court issued forfeiture and seizure orders which resulted in the seizure of all the owner's business and personal assets. The investigation was led by the OIG with the assistance of the IRS, the Secret Service, the Postal Inspection Service, and the Chicago Police Department. (Department of Education)

Individuals Convicted of Forgery

Three individuals in the Eastern District of Pennsylvania at Philadelphia were convicted of forgery of Treasury checks. One subject pled guilty to two counts of forgery and was given a 2 year suspended sentence and placed on 2 years probation. Another individual pled guilty to three counts of forgery and was given a 3 year suspended sentence and placed on 3 years probation. The third subject pled guilty to 3 counts of forgery and was given a 5 year suspended sentence and placed on 5 years probation. The total restitution required to be made to the RRB by these subjects is $31,562. (Railroad Retirement Board)

Virginia Resident Given Prison Term for Fictitious Employer Scheme

A Newport News, Virginia, man was found guilty of mail fraud, false use of a Social Security number and submitting false claims to the DOL, and was sentenced to 15 years imprisonment followed by 5 years probation. The defendant had established fictitious employer accounts throughout cities in eastern Virginia. He then filed claims for benefits with the Virginia Employment Commission, purporting previous employment with the fictitious firms. The scheme was detected after a State employee noticed that the defendant had used two different identities. An investigation disclosed that the defendant had used approximately 20 different identities, and posed as both employer and laid-off employees. This investigation was conducted by the OIG, with assistance from the Postal Inspection Service. (Department of Labor)

Family Members Convicted in Real Estate Fraud

A real estate investor, his spouse and his three adult children were sentenced following their guilty pleas to equity skimming, mail fraud, conspiracy, and theft in connection with a real estate fraud scheme that encompassed 55 separate properties and resulted in a loss to the Government approximating $410,000. The investor and his spouse were sentenced to a total of 13 years in prison and 5 years probation. The children were sentenced to a total of 2 years in prison, 9 months work release, 10 years probation and fines of $2,000. Substantial losses were also incurred by financial institutions and homeowners. In addition to the fines and sentences, restitution is being considered by the court and will be determined

and ordered in the future. This investigation was conducted by the HUD-OIG, the Postal Inspection Service, the VA-OIG, and the FBI. (Department of Housing and Urban Development and Veterans Administration)

Corporation and Owner Plead Guilty to $499,000 Pell Grant Fraud

The owner of a corporate entity and the corporation pled guilty in Buffalo, New York, to an information charging each with one count of conspiracy to defraud the Department of Education's Pell Grant program of over $499,000. A joint investigation conducted by the OIG and the FBI developed evidence that the owner and others were falsifying entrance examination scores for applicants, falsifying grades in order to retain students on the active roles, and falsifying job placement records of those completing the school's program. (Department of Education)

Fiduciary Takes Aunt's Compensation and Social Security Benefits

A joint VA/HHS investigation disclosed that an individual who had been appointed as fiduciary for his aunt continued to receive his aunt's VA Dependency Indemnity Compensation benefits and Social Security "Black Lung" benefits after his aunt died in 1984. After being found guilty at a jury trail, he was sentenced to 6 years confinement, ordered to make restitution totaling $22,700 and required to pay assessments totaling $1,500. He was also sentenced to serve two consecutive 5-year probation terms. (Veterans Administration and Department of Health and Human Services)

Ambulance Service Owner Pleads Guilty to Charges of Fraud

Following a plea of guilty to two counts of a 30-count indictment that charged mail fraud and theft from an employee benefit plan, the owner of an ambulance and limousine service was sentenced to 3 years imprisonment, followed by 5 years probation, and was ordered to pay $199,085 in restitution. His conviction was the result of an OIG and Postal Inspection Service investigation which disclosed that the defendant defrauded the United Mine Workers of America health benefit fund by submitting false and fictitious claims for services that were not rendered. (Department of Labor)

Corporate Director Sentenced for Bank Fraud

The Director of a corporation that received $630,000 from the Minority Business Development Agency (MBDA), in addition to funds from two other Government agencies, was sentenced to 3 years incarceration for bank fraud. An audit has shown that the funds were commingled in such a way that their identity, ownership, and final disposition was distorted, and funds were diverted from MBDA-funded accounts without authorization. The director was indicted on charges that he embezzled and diverted thousands of dollars from Federal grants, falsified documents, and extorted $9,500 from two small businesses. Sentencing was deferred until the defendant completed his agreed-to testimony on behalf of the Government. All but 4 months of his sentence was suspended. He also received 4 years supervised probation, during which 300 hours of community service must be performed, and was ordered to make restitution of $10,000. (Department of Commerce)

Two Men Receive a Total of 11 Years for Social Security Number Fraud and Filing False Tax Returns

In Texas, two men were sentenced to a total of 11 years in prison for misusing Social Security numbers (SSNs) to obtain income tax refunds. Through visiting cemeteries and reviewing old newspapers, the two individuals had identified deceased children with a date of birth close to their own. Posing as distant relatives of the deceased, they obtained birth certificates and SSNs to establish new identities. Using the names and SSNs, along with a real company's name and the company's employer identification number, they filed income tax returns with false W-2 forms attached. This case was a joint investigation with the Internal Revenue Service and the U.S. Postal Service. (Department of Health and Human Services)

Nine Plead Guilty in Loan Origination Fraud

Seven real estate investors, a real estate agent and a former real estate company employee pled guilty to various counts of making false statements and conspiracy related to strawbuyer/loan origination schemes. One of the investors was sentenced to 20 months in jail and ordered to pay $100,000 in restitution and $5,050 in fines. A second investor was sentenced to 9 months in jail. Another investor and the employee were sentenced to serve 4 consecutive weekends in jail. Sentencing is pending on the remaining five individuals. The investigation was conducted by the OIG, the Department of Justice Fraud Section and the FBI. (Department of Housing and Urban Development)

Corporate Officials and CPA Sentenced in Continuing Joint Investigation

Two former officials of an Alabama corporation were convicted and sentenced on charges of conspiracy and embezzlement of Federal loan funds. The former chief executive officer was sentenced to 15 months in prison and fined $5,000. The former

property officer was sentenced to 6 months in prison, given an additional 12 months of probation, and fined $10,000.

The continuing investigation, a team effort by the FBI, IRS, HHS, and Commerce, also led to the indictment, trial, and conviction of the corporation's certified public accountant for filing false income tax returns. He was sentenced to serve 6 months in jail and given 12 months probation. The judge stated that he did not impose a fine because the defendant would be assessed unpaid taxes and tax fraud penalties. (Department of Commerce)

Twelve Individuals Sentenced for Embezzlement of Over $230,000

Ten individuals pled guilty and two were convicted at trial for their participation in the embezzlement of over $230,000 from a special Section 8 Demonstration Program. Sentences for the 12 individuals totalled 6 months incarceration, 15 months work release, 408 months probation, $113,268 in restitution, and 1,650 hours of community services. The individuals sentenced included two officials of a certified public accounting (CPA) firm which had a contract with HUD to administer a Section 8 Assistance Program for public housing families. The CPA firm has also reimbursed HUD over $110,000 for costs to which they were not entitled as a result of the embezzlement. The investigation was conducted by the OIG and the FBI. (Department of Housing and Urban Development)

Man Sentenced 9 Years for Mail, Bank and Social Security Number Fraud

The use of fraudulent Social Security numbers (SSNs) has a significant impact on the Nations's credit system. Because the Office of Inspector General at the Department of Health and Human Services is responsible for assuring the integrity of the SSN system, it frequently assists other Federal law enforcement agencies in the investigation of bank or credit card fraud. In one case, a Delaware man was sentenced to a total of 9 years in prison for mail, bank and SSN fraud. He had applied for credit cards under a fictitious name and submitted false tax returns to validate the fraudulent applications, then defrauded nine banks of $132,000. The case was investigated jointly by OIG, the Postal Service, and the Secret Service. (Department of Health and Human Services)

Funds Embezzled From A Community Health Center Returned

The controller of a California community health center supported by the Public Health Service was sentenced for embezzling money from the center between 1980 and 1987. He had added to his pay cards hours he had not worked and had gotten unauthorized advances through the payroll system, writing them off to a center expense account. He was ordered to make restitution of more than $92,000, confined to a halfway house for 90 days and ordered to serve 5 years probation. (Department of Health and Human Services)

INVESTIGATIVE RECOVERIES

Investigations conducted by the Offices of Inspector General (OIG) often result in the recovery of money or property. These occur as a result of Inspector General investigations and are the amounts of repayments and payments ordered and/or settlements made pursuant to legal actions instituted. The OIG investigations result in recoveries for the Treasury, trust funds, program operations and/or other entities victimized by fraud or abuse. During Fiscal Year 1988 investigative recoveries total $626.5 million. Administrative penalties, formerly included in this category, are being reported in a separate section. Investigative recoveries include: (1) recoveries made during an investigation; (2) legally ordered fines and penalties; (3) restitutions and recoveries; and (4) out-of-court settlements.

TABLE 2. INVESTIGATIVE RECOVERIES

AGENCIES	RECOVERIES DURING INVESTIGATION	LEGAL FINES/ PENALTIES	RECOVERIES/ RESTITUTIONS	OUT-OF-COURT SETTLEMENTS	TOTAL
Agriculture	$0	$51,963,883	$26,463,361	$0	$78,427,244
Agency for International Development	146,887	41,667	44,840	0	233,394
Commerce	8,978	15,275	186,629	0	210,882
Defense	0	43,730,237	313,660,745	87,889,370	445,280,352
Education	138,152	223,995	484,791	190,212	1,037,150
Energy	651,280	116,785	0	0	768,065
Environmental Protection Agency	0	867,026	0	788,000	1,655,026
General Services Administration	1,712,654	872,639	713,714	3,409,872	6,708,879
Health and Human Services	23,466,903	2,826,917	12,826,942	3,698,802	42,819,564
Housing and Urban Development	0	439,200	7,479,118	0	7,918,318
Interior	0	263,675	836,624	0	1,100,299
Labor	2,838,096	1,237,228	4,760,284	162,100	8,997,708
National Aeronautics and Space Administration	4,198,894	78,600	16,170	0	4,293,664
Railroad Retirement Board	0	6,350	827,715	0	834,065
Small Business Administration	0	23,100	11,052,472	2,362,500	13,438,072
State	67,005	100	844,857	0	911,962
Transportation	0	919,573	636,507	3,362,559	4,918,639
United States Information Agency	0	0	4,008	0	4,008
Veterans Administration	0	593,862	5,224,769	1,162,706	6,981,337
FY 1988 Totals	$33,228,849	$104,220,112	$386,063,546	$103,026,121	$626,538,628

The FBI reported recoveries from investigations conducted independently or jointly with OIG's resulting in $23,859,730 in fines and $97,594,841 in recoveries, restitutions and court-ordered forfeitures.

Government Contractor Cases

Contractor Agrees to $90 Million Settlement

The Army Criminal Investigation Command and the Defense Criminal Investigative Service conducted a joint investigation into alleged mischarging and cost overcharging by a major contractor on Army helicopter spare parts inventories, time keeping and salaries. Many of the allegations in this investigation had been the subject of prior Defense Contract Audit Agency audits. The contractor agreed to a settlement of approximately $90 million. The settlement includes paying the Government $69 million. The balance consists of the value of returned parts and withdrawn claims against the Government. (Department of Defense)

Furniture Supplier Agrees to Pay Government $1,050,000

A GSA furniture supplier agreed to pay the Government $1,050,000 to settle its potential civil liability after a joint OIG audit and investigation found that the firm failed to provide accurate and complete pricing data, and misled GSA about the quantity and nature of its commercial sales. The firm has already refunded $300,000 to the Government. The remaining $750,000 is to be paid in quarterly installments over the next 4 years. The Office of the U.S. Attorney accepted the case for both criminal prosecution and civil litigation. Relative to the criminal charges, the company pled guilty to submitting false statements and was fined $12,000. (General Services Administration)

Surety Company Pays $10.6 Million for Breach of Contract

A surety company paid the Government $10.6 million after a civil trial jury found the company liable on its performance bond issued to a construction company for the construction of a USDA research facility. Earlier the construction company, its president and a former employee were convicted of conspiracy, making false statements and obstruction of justice in connection with the company's breach of the $10.6 million construction contract. (Department of Agriculture)

Computer Processing Contractor Sentenced

The former vice president of a company which had contracted to process Medicare claims was ordered to pay restitution of $30,000 which he had illegally obtained from company funds. He, the former president and the former president's brother-in-law, both of whom were convicted and sentenced earlier, had billed sham "consulting work" to pay for personal items such as expensive watches, furniture, art and a yacht, and to finance an antique business. In total the three had embezzled more than $1 million from the company. (Department of Health and Human Services)

Computer Graphics Firm Pays $900,938 Civil Settlement

A supplier of computer graphics equipment and software agreed to pay the Government $900,938 to settle potential civil fraud issues. A joint OIG audit and investigation disclosed that the firm sold items to its commercial customers at discounts greater than those offered to GSA. Failure to disclose these discounts during negotiations violated the price reduction/defective pricing clauses in its GSA contracts. The matter was referred to the Office of the U.S. Attorney, which declined criminal prosecution, but accepted the case for civil litigation. The firm refunded the full amount to the Government at the time of settlement. (General Services Administration)

$827,900 of Subcontract Costs Recovered

An OIG investigation, conducted concurrently with an audit of a prime contractor's subcontract costs, indicated that the subcontractor had improperly billed labor and maintenance costs to the prime contractor. During the investigation, the subcontractor submitted to the prime contractor a $493,149 credit invoice. The invoice credited costs paid as a result of the subcontractor's employees submitting incomplete timecards and charging non-Government work to Government contracts. The prime contractor credited this amount to NASA. Independent of the OIG investigation, the subcontractor also credited the prime contractor $92,000 for materials and labor which had been billed but not incurred on a separate procurement. At the OIG's request, the prime contractor conducted an expanded review of subcontractor costs. As a result, the subcontractor credited the prime contractor with an additional $242,754 for testing and material costs not actually incurred. The prime contractor credited to NASA a total of $827,903 recovered from the subcontractor. (National Aeronautics and Space Administration)

EPA Receives $600,000 From Chattanooga's Bid Rigging Suit

The City of Chattanooga paid EPA $532,000 from the proceeds of its settlement of an antitrust suit against several contractors who rigged bids on EPA funded sewer projects in that city. The city will pay EPA about $100,000 more as it receives future payments from those contractors. Chattanooga agreed to share its settlement with EPA based on the conviction of several contractors who

conspired to rig bids on the $6 million Hixson interceptor sewer contract. During the course of the litigation, Chattanooga uncovered evidence of bid rigging on a number of contracts as well. (Environmental Protection Agency)

Supply Firm to Pay $575,000 Civil Settlement for Violations of Contract Pricing Requirement

A copier equipment supply firm entered into a settlement agreement with the Government whereby it agreed to pay $575,000 to settle its potential civil and administrative liability. The Government alleged that the firm failed to provide accurate and complete pricing data to GSA and failed to disclose general price reductions granted during the term of its GSA contract. A joint OIG audit and investigation disclosed that the firm sold items to its commercial customers at discounts greater than those offered to GSA. Failure to disclose these discounts violated the price reduction/defective pricing clauses in its GSA contract. The matter was referred to the U.S. Attorney's Office, which declined criminal prosecution. Prior to initiation of formal civil litigation, a settlement agreement was negotiated. (General Services Administration)

Use of Fraudulent Invoices Uncovered

A Defense Criminal Investigative Service investigation led to a Defense contractor pleading guilty to submitting a fraudulent invoice to the Government for costs incurred on a Phoenix air-to-air missile target detection device contract. The invoice contained cumulative labor cost data, which the contractor knew were overstated. The same contractor sent fraudulent pricing data on a contract for a Demand Assigned Multiple Access System, a component of a DOD satellite communications system. The contractor gave the Government a check for $9,950,000, and will pay the maximum fine of $10,000 for each of the three counts it was charged. The contractor previously made restitution in excess of $6,000,000 and has reimbursed the Government $367,000 for the cost of the investigation. (Department of Defense)

Two Michigan Pipe Companies Fined $400,000

National Concrete Products Company, of Plymouth, Michigan, pled guilty to a charge of conspiracy and unreasonable restraint of trade in violation of the Sherman Antitrust Act. The company, which manufactures and sells concrete pipe and related materials in Michigan, was fined $250,000. National Concrete company was charged with conspiracy to suppress and eliminate competition on contracts to provide concrete pipe and related products for several EPA projects in Michigan.

Northern Concrete Pipe, Inc. of Bay City, Michigan, pled guilty to a charge of conspiracy to suppress and eliminate competition on a contract to provide concrete pipe and related projects for the Grand River Drive drain extension project of the Kent County, Michigan, Drain Commission. The company was fined $150,000. Both actions resulted from joint efforts by the Department of Justice Antitrust Division and the OIG. (Environmental Protection Agency)

$350,000 Restitution Ordered Following Conviction on Conspiracy to Defraud

An official of a fire-extinguisher repair and servicing firm and a company consultant (who had originally founded the company) were sentenced in U.S. District Court after pleading guilty to conspiracy to defraud the Government. The official was placed on probation for 5 years, sent to a halfway house for 1 year, and ordered to make restitution of $50,000. The consultant was placed on probation for 5 years, with the first year requiring electronically monitored home confinement, and ordered to pay $300,000 in restitution. Both subjects were also ordered to refrain from conducting business with the Government during their periods of probation.

The sentencing stemmed from a joint OIG and Defense Criminal Investigative Service investigation. The investigation, initiated after receipt of an anonymous allegation that the firm was defrauding the Government, disclosed that the company inflated costs, falsified test reports, and billed the Government for work that was never performed. (General Services Administration)

$200,000 Recovered From Subcontractor That Failed to Deliver

An investigation was initiated based on information indicating an operating contractor at a DOE production facility has spent approximately $200,000 for a product which was apparently never produced and never delivered. Investigation uncovered indications that the subcontractor misrepresented his ability to produce and deliver the product. Independent allegations received prior to this contract indicated officials of the subcontracting firm had compromised the operating contractor's purchasing officials to gain contracts. To date, in excess of $200,000 has been recovered from the subcontractor. (Department of Energy)

$94,000 in Fines and Restitutions Assessed

A supplier of durable medical equipment in Georgia was sentenced to 6 months incarceration and more than $94,000 in restitution and fines for a variety of schemes to collect money illegally from the Medicare program. He billed for oxygen concentrator repairs never made, for rental while the repairs were supposedly being made, for equipment sold to deceased persons and for the sale of "new" equipment which patients had rented for years. He also falsified forms for obtaining equipment for people who did not need it, and billed Medicare for services by a laboratory company which did not exist. He has been suspended

from participating in the Medicare and Medicaid programs. (Department of Health and Human Services)

Government Employee Cases

Workers Compensation Claimant to Repay $125,122

In a pretrial diversion agreement, a former Federal employee has agreed to reimburse the Office of Workers' Compensation Program (OWCP) a total of $125,122. The OIG investigation had disclosed that the employee, a Federal workers' compensation claimant, owned and operated several businesses and concealed his earnings from OWCP. The investigation was conducted with the assistance of the Bureau of Alcohol, Tobacco and Firearms. (Department of Labor)

Former EPA Purchasing Agent Imprisoned for Violating Probation

A former purchasing agent with EPA, Gulf Breeze, Florida, was convicted for creating his own scientific supply company under his stepdaughter's name, from which he used his official position to purchase almost $40,000 in materials for EPA. The defendant was fined $3,000 sentenced to suspended prison term and placed on 5 years probation. However, a judgment commitment order, citing violations of his probation, sentenced him to 15 months in prison. (Environmental Protection Agency)

Employee Embezzles $76,000

OIG investigators and auditors worked on the embezzlement of at least $76,000 by an employee in the principal cashier's office. Following an FBI recovery of $17,000 in travelers checks, the OIG review found that $59,000 more had been cashed by the employee and other unentitled individuals. The employee resigned and was sentenced to five year's probation plus a fine and ordered to repay $9,650. The investigation is continuing. (Department of State)

Employment Relocation Expense Procedures Improved

Difficulties were encountered by the Voice of America (VOA) in recouping relocation expenses from a former foreign language broadcaster candidate. In anticipation of his employment, the candidate received $5,014 to cover his transportation and relocation costs from France to the United States. After arrival in this country, however, he declined the offer of employment and made no effort to return the funds expended. Subsequent OIG initiated action resulted in a partial recovery of $1,542 with the balance scheduled for collection. As a consequence of this incident VOA has amended its standard offer of employment to include a service agreement each candidate must sign before any funds will be expended for relocation expenses. (United States Information Agency)

Program Participant Cases

Owner of MESBIC Surrenders License and Repays $3.5 Million

The owner of a Minority Enterprise Small Business Investment Company (MESBIC) licensed by SBA to provide venture capital to disadvantaged firms agreed, based on an OIG investigation, that the MESBIC was not operating within the intent and spirit of the Small Business Investment Act. As a result, the owner of the licensee subsequently agreed to repay $3.5 million in leveraged funds to SBA and to surrender his license to operate. SBA was also able to cancel his pending request for $2.5 million in additional leveraged funds based on OIG findings. (Small Business Administration)

Social Security Number Fraud Uncovered

A former broker with a prominent national investment firm was convicted in Rhode Island for money laundering, and false representation of a Social Security Number (SSN). Between 1982 and 1984, the broker used false SSNs and names to open bank accounts into which customers deposited checks which were used to make investments. Because the checks were for less than $10,000 each, the bank was not required to report the transactions to the Internal Revenue Service. The investment firm was charged with conspiracy and money laundering, and fined $1 million. (Department of Health and Human Services)

Bank Pays $2.1 Million to SBA in Settlement

As a result of an OIG investigation, a bank agreed to pay $2.1 million in cash to settle a civil action for $7.2 million in triple damages brought by SBA alleging that the bank had acquired the assets of a Small Business Investment Company in violation of the Bank Holding Act. Litigation has also been initiated against the former owner of the SBIC to recover over $9.9 million in

Federal funds and $1.4 million in additional damages, plus interest and attorney fees. (Small Business Administration)

Mortgagee Repays $1.9 Million

A mortgagee agreed to reimburse HUD $1.3 million and the VA $625,000 for numerous fraudulent HUD-insured and VA-guaranteed mortgages processed over the last several years. Full payment of the total amount was made on the same day. The civil action was initiated after investigation by a joint HUD/FBI/VA Task Force resulted in criminal prosecution of a mortgagee official. Additional inquiries were later made for the civil case. (Department of Housing and Urban Development and Veterans Administration)

SBA Borrower Sentenced to Prison for Submitting False Statements

An OIG investigation disclosed that a Georgia businessman falsely certified in a loan settlement sheet that SBA loan proceeds would be used to purchase needed machinery, and that a cash injection of capital would be made into the business. The borrower subsequently pled guilty to a two-count criminal information for making false statements to obtain approval and disbursement of a $395,000 SBA guaranteed loan. He was sentenced to serve one year and one day in prison, make restitution to SBA of $303,000, and serve five years probation. (Small Business Administration)

Chiropractor Sentenced for Defrauding Health Insurers

A Florida chiropractor was sentenced to serve 10 years in prison, and his wife and son 6 years each, for criminal schemes related to health care clinics they owned and operated. They also had to forfeit interests in seven clinics and extensive personal property. Through the claims offset process, the Medicare carrier recovered almost $900,000 of the more than $2 million overpayment the trio had received. Earlier they had been assessed a civil monetary penalty of $1.7 million and given a 25-year suspension from the Medicare and Medicaid programs. They were convicted on a wide range of charges including: filing false claims with Medicare, the Civilian Health and Medical program of the Uniformed Services (CHAMPUS), private insurers, and individual patients; altering documents given to agents during an investigation; moving funds after a restraining order had been issued; not paying income taxes or unemployment contributions for clinic employees; and operating a criminal enterprise in violation of racketeering laws. (Department of Health and Human Services)

Mortgagee Agrees to Repay $1.2 Million

Attorneys and principals for a mortgage company signed a settlement agreement to reimburse HUD for actual and projected net losses on 50 mortgage loans. The mortgages, all of which have gone into default, were fraudulently originated by a former employee of the company. The settlement agreement could eventually bring HUD $2 million. Under the unique conditions of this agreement, the mortgagee executed a promissory note for $1.2 million which is to be repaid in 14 quarterly installments at 6 percent interest. At the same time, the mortgagee executed an assignment to the Department whereby portions of all sums it collects from related lawsuits — up to $800,000 — will also be paid to HUD. The settlement agreement resulted from an ongoing task force investigation comprised of investigators from the OIG, FBI, VA, IRS and ATF. (Department of Housing and Urban Development and Veterans Administration)

Business College Fined $200,000 for False Statements in Student Aid Fraud

A business college, a subsidiary of a large corporation, was fined $200,000 after pleading guilty in the Western District of Virginia to charges of making false statements on student aid applications. A multi-count Federal indictment charged the school with falsely representing dependent students as independent. In addition, the indictment charged school employees with falsifying admission tests and grade transcripts and with encouraging students to falsify their applications with inaccurate income and tax information. The $200,000 fine was the largest ever levied in the Western District of Virginia. (Department of Education)

$1.9 Million Fraud Discovered

A joint OIG and FBI investigation disclosed an alleged $1.9 million fraud against the Guam Economic Development Authority (GEDA). An individual, doing business as a corporation, received a $2.5 million GEDA loan for hotel renovation. The individual provided documentation supporting expenditures as required by GEDA. Investigation disclosed that funds of $1.9 million were used for other than prescribed purposes. The individual borrower pled guilty to a one count information charging false statements to a bank, was sentenced to two year probation, and was ordered to pay a $200,000 fine. (Department of the Interior)

Physicians Pay $500,000 in Settlement of Civil Liabilities

An elaborate scheme involving four diagnostic laboratories, and their two owners was uncovered in Philadelphia by a task force, led by the United States Attorney (USA), in which the OIG participated. Laboratory representatives had approached hundreds of physicians, offering to provide a series of diagnostic tests

in exchange for patient referrals. The labs billed Medicare for the tests and paid the physicians $50 for each patient referral. After the labs and owners had been convicted, the USA issued letters to 360 physicians who had accepted payments, demanding repayments in settlement of civil liabilities. To date, more than $500,900 has been collected from 334 physicians. The case and its results have received wide publicity, serving as a warning to other medical care professionals against engaging in similar illegal activities. The dismantling of the scheme not only meant recoveries it also prevented beneficiaries from receiving tests of questionable quality. Experts have stated that the quality of the tests were in question, because the employees performing the tests (including secretaries and cocktail waitresses) were poorly trained. (Department of Health and Human Services)

Husband and Wife Guilty in Equity Skimming Scheme

A husband and wife were convicted on 24 counts related to equity skimming in connection with a scheme that encompassed 97 separate properties and resulted in a loss to the Government in excess of $713,000. The husband was sentenced to 10 years in prison and the wife was sentenced to 4 years in prison. Both were ordered to make restitution to the Government in the amount of $54,700 for a total of $109,400. This was a joint VA, HUD, and FBI investigation. (Veterans Administration and Housing and Urban Development)

Veteran Falsely Certified to Gain VA Benefits

A veteran convicted of falsely certifying to the VA that he had been unemployed in order to receive increased service-connected compensation benefits was sentenced to 3 years imprisonment, 5 years probation, fined $25,000, and ordered to make restitution of $85,000 to the VA. (Veterans Administration)

Ohio Builder Ordered to Pay $81,115 in Restitution

An Ohio builder was sentenced to four months imprisonment, three years probation, fined $11,000 and ordered to pay $81,115 in restitution to his former employees. Collection of an additional $166,886 and debarment of the firm are being pursued.

The builder and his firm had pleaded guilty to a 10-count indictment charging mail fraud and making false statements that the required prevailing wages were paid on four federally funded contracts. Investigation disclosed that the builder had paid his employees substantially less than the prevailing wages that he had shown on certified payroll forms. (Department of Labor)

$230,000 Recovered in Social Security Fraud

A series of follow-up investigations were conducted as a result of a computer match of Social Security beneficiary rolls against State vital statistics records in Florida. During this fiscal year, 14 of those investigated were found guilty of converting to their own use benefits sent to deceased relatives or friends. Each was given a 1-year suspended prison sentence and placed on 5 years probation. Total restitutions ordered amounted to almost $230,000. (Department of Health and Human Services)

Chief Executive Officer sentenced for Mail Fraud and Income Tax Evasion

The chief executive officer of a jewelry manufacturing firm who had been indicted on seven counts of mail fraud and two counts of income tax fraud was sentenced in December 1987. The firm had received a $3 million trade adjustment assistance loan guaranteed by the International Trade Administration, and the officer diverted $65,500 to his personal use. He pleaded not guilty at the arraignment, but later changed his plea to guilty on two counts of mail fraud and one count of tax evasion. The remaining counts were dismissed. A Rhode Island judge sentenced him to six months in prison and three years of probation, and ordered him to make restitution of $65,500. (Department of Commerce)

Former Tribal Officials Convicted of Embezzlement

A former president of the Tonkawa Tribe of Oklahoma, previously convicted of embezzlement of tribal funds, was ordered by the court to make restitution to the Tribe in the amount of $22,153. The subject made two restitution payments to the U.S. Probation Department for the court-ordered amount. The probation officer presented the checks to the secretary/treasurer of the Tribe, who returned the checks to the subject for deposit in his personal bank account. It was subsequently learned that the secretary/treasurer was the former tribal president's daughter and that the two individuals had conspired to embezzle additional funds from the Tribe. Both individuals were convicted and sentencing is pending. (Department of the Interior)

Company President Sentenced for Diversion of Grant Funds

The president of a communications research firm, who had been indicted by a federal grand jury on two counts of false claims, one count of submitting false documents, and three counts of aiding and abetting false claims, was sentenced in November 1987. He was found guilty of diverting $22,000 of an $80,000 grant to his personal use. He was sentenced to three years probation, ordered

to make restitution of the $22,000, and directed to perform 300 hours of community service. (Department of Commerce)

$72,000 Recovered From Fraud Against a Sheltered Workshop

The bookkeeper for a sheltered workshop for the developmentally disabled in Montana was sentenced to 5 years in prison, 5 years probation and restitution of more than $72,000 for embezzling from block grant and patient disability funds. The sentence resulted from one of several schemes executed by the bookkeeper, some of which involved a meat market, a welding company and an airport commission. (Department of Health and Human Services)

ADMINISTRATIVE SANCTIONS

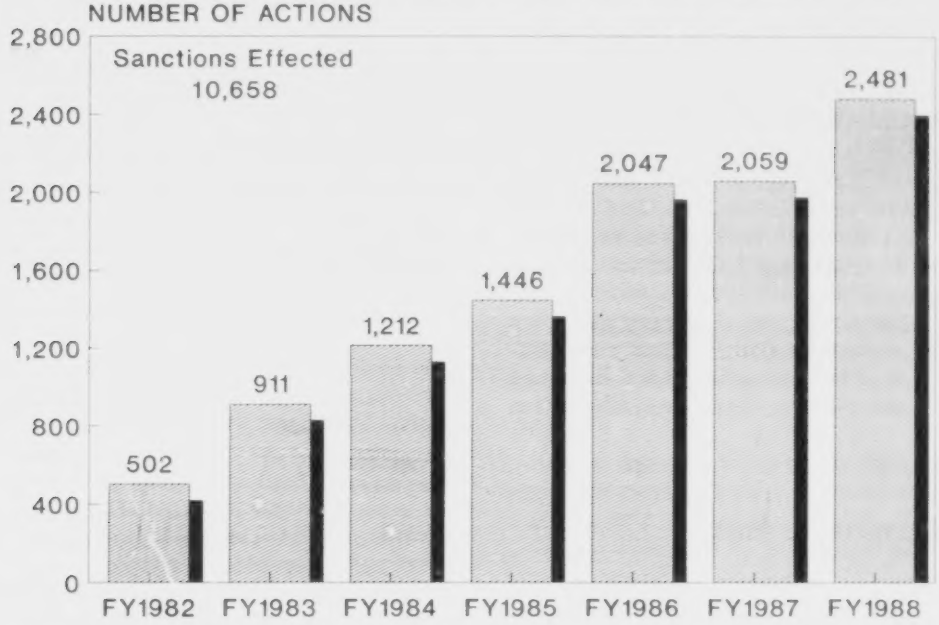
Administrative sanctions, as a result of Inspector General audits and investigations, continue to provide useful management tools for Federal agencies to use in taking action against contractors who have violated laws, rules or regulations. These sanctions may be applied concurrently or separately from an ongoing civil or criminal proceeding.

During Fiscal Year 1988, a total of 2,481 debarments, exclusions and suspensions were taken against individuals and entities doing business with the Federal Government as a result of fraudulent or abusive practices. A total of 10,658 administrative sanctions were taken over the past 7 years.

TABLE 3. ACTIONS AGAINST INDIVIDUALS AND ENTITIES DOING BUSINESS WITH THE FEDERAL GOVERNMENT

AGENCIES	SUSPENSIONS AND DEBARMENTS
Agriculture	191
Agency for International Development	15
Commerce	2
Defense	1,028
Education	1
Energy	15
Environmental Protection Agency	150
General Services Administration	96
Health and Human Services	371
Housing and Urban Development	493
Interior	4
Labor	13
National Aeronautics and Space Administration	3
Railroad Retirement Board	0
Small Business Administration	2
State	0
Transportation	52
United States Information Agency	0
Veterans Administration	45
FY 1988 Total	2,481

SANCTION ACTIONS AGAINST CONTRACTORS: FISCAL YEARS 1982-1988



Sanctions against contractors or others doing business with the Federal Government have increased nearly 5 fold, from 502 in Fiscal Year 1982 to 2,481 in Fiscal Year 1988. The Inspectors General effected 10,658 debarment of suspension actions against contractors or grantees who do business with the Federal Government.

Examples

Debarment of 154 Individuals Recommended

A special review of mortgagees in the Denver, Colorado area resulted in recommendations to debar 154 individuals from participation in HUD programs. The individuals were involved in the origination of fraudulent Federal Housing Administration (FHA) insured loans. To date, 48 individuals have been debarred and 25 have been suspended pending final determination on debarment. In addition, Limited Denials of Participation (LDP) in HUD programs were recommended for 133 individuals who were in default on 2 or more FHA loans. Thus far, LDPs have been issued against 84 individuals. (Department of Housing and Urban Development)

Sanctions Made Based on Recommendations of Health Care Peer Review Organizations

The OIG works with Peer Review Organization (PROs) which are groups of practicing doctors and other health care professionals who are paid by the Federal Government to review the hospital care of Medicare patients. The PRO designated for each State is responsible for deciding whether care is reasonable and necessary, is provided in the appropriate setting and meets the standards of quality accepted by the medical profession. Health care providers can be excluded from the Medicare or Medicaid programs or required to pay a monetary penalty as a result of a PRO determining that the provider furnished unnecessary services, failed to provide services that met professionally recognized standards of care or failed to document the services as required by the PRO. The OIG is responsible for imposing sanctions on the basis of PRO recommendations. During Fiscal Year 1988, 38 health care professionals were administratively sanctioned on the basis of PRO recommendations. One physician was excluded for 10 years after having been found to have grossly and flagrantly violated his obligation to provide care that meets professionally recognized standards in his treatment of 13 Medicare beneficiaries. In two of these cases, the care he provided contributed to the death of the patients. Another physician was excluded for 3 years for failing to adequately treat patients and prescribe medications. (Department of Health and Human Services)

Contractor Provides Deficient Helicopter Parts

A joint investigation by the Defense Criminal Investigative Service and IRS resulted in guilty pleas by a corporation and its two principals for knowingly providing helicopter windows and missile launching canopies that did not meet contract specification requirements and submitting false claims. The defendants made a

plea agreement, incurring a restitution of $125,000 and a lifetime debarment. (Department of Defense)

Counterfeit Parts Scheme Uncovered

The Air Force Office of Special Investigations conducted an investigation of a company awarded a contract to supply new and unused surplus parts to the Air Force. The company was found to have provided counterfeit parts, which did not meet contract specifications. The company, its owner, and a vice president were convicted. The company has been suspended and fined $100,000. The owner was sentenced to 5 years in prison, followed by 5 years probation. Both individuals have been ordered not to do any future business with the Government. (Department of Defense)

Hospitals Sanctioned for Patient "Dumping"

The Department of Health and Human Services is responsible for enforcing several Federal laws pertaining to the appropriateness of patients being transferred from one hospital to another. Three hospitals were sanctioned for "dumping" patients. One of these hospitals had, in five instances, inappropriately transferred patients in active labor or with emergency medical conditions. (Department of Health and Human Services)

Bid Rigging Effort Results in 17 Debarments

The OIG commitment to detect and prevent bid rigging in DOT funded construction programs continues to be a priority effort. During this reporting period, OIG joint investigations with DOJ, Antitrust Division, resulted in seven indictments, 16 convictions, $600,500 in fines, and 20 years probation. The OIG has continued to emphasize to modal elements that debarment is an appropriate administrative action for firms convicted of criminal violations involving DOT funded projects. There were 17 such debarments initiated during this reporting period. Bid rigging investigations are currently in various stages of development in 20 States. (Department of Transportation)

Small Business Development Center Program to End

SBA reached an agreement with a Small Business Development Center (SBDC) at a midwestern university to end the program as a result of information developed during an extensive OIG audit and investigation. The OIG found that over $1 million in Federal grant funds had been used for questionable computer purchases, travel reimbursements, entertainment, a luxury van, consulting fees, and lobbying efforts. (Small Business Administration)

Oil Dealer Terminated from 8(a) Program

A Petroleum wholesaler received $1.5 million in advance pa ments from SBA to finance a multi-million dollar DOD contra The contractor agreed to repay the advanced funds by assigni DOD's payments under the contract to SBA. Due to mismanag ment on the part of SBA, DOD, and the contractor, the contr ended with approximately $750,000 in payments still due SBA. Based in part on the OIG's investigation, SBA was able terminate the oil company from participation in the section 8 program. (Small Business Administration)

False Invoices Submitted to Cover up Falsc Cost Data

An investigation by the Army Criminal Investigations Comma found that the president of a Defense contractor provided fa invoices to the Defense Contract Audit Agency auditors durin post award contract review. The false invoices were submitted cover up false cost data that had been provided, resulting in over pricing of the awarded contract by $90,000. The preside was convicted and received two concurrent 3 year jail terms $20,000 fine and 400 hours of community service. The compa and its president were debarred. (Department of Defense)

Bonding Firm Debarred

GSA debarred a bonding firm and its agent from conducti business with the Government for three years. This debarme action was based upon an administrative referral resulting from OIG investigation. The investigation was initiated after a GS supervisor advised the OIG that bid bonds submitted by the age did not appear authentic. The investigation confirmed that t bond agent had issued false bonds valued at $261,644, witho the bidder's knowledge, by forging a signature. Previously, t bond agent had been convicted of preparing false statements. was sentenced to 3 years in prison (suspended) and 3 yea probation. (General Services Administration)

Government Contractor Debarred for Three Years

A contractor who was indicted in connection with stealing a proximately $260,000 worth of parts from six National Ocean and Atmospheric Administration aircraft has been debarre Most of the aircraft parts were later recovered. The contract pleaded guilty to a 1 count misdemeanor charge, made restituti of $6,000 and was sentenced to 3 years probation. (Department Commerce)

Physician Excluded for Medicare Fraud

A New York physician, convicted of defrauding the Medicare program over a 6-year period, was excluded from the program for 20 years. He had caused financial damage in excess of $194,000 to the program. (Department of Health and Human Services)

Contractor and Its Co-owners Plead Guilty to Mail Fraud

As a result of a joint OIG/FBI investigation, the co-owners of a company having contracts with NASA entered guilty pleas to two counts each of mail fraud, and were sentenced to 2 years probation, each fined $1,000 on each count, and assessed court costs. The individuals had provided bribes to a former Government employee in exchange for information on future procurements that allowed them to be successful bidders. In response to an OIG recommendation, NASA debarred the two officials and their company for 3 years. Final action against the former NASA employee is pending. (National Aeronautics and Space Administration)

Construction Contractor Enters Into Innovative Settlement

The largest contractor of the Chicago Metropolitan Sanitary District's billion dollar Tunnel and Reservoir Project entered an innovative and precedent-setting debarment/suspension settlement following the contractors indictment on charges of violating Occupational Safety and Health Administration standard. The contractor failed to monitor underground air quality level leading to the suffocation death of a worker. The contractor was required to implement detailed worker safety procedures for the existing and future EPA funded contract work. (Environmental Protection Agency)

Embezzlement Leads to Five Administrative Sanctions

Five administrative sanctions during Fiscal Year 1988 resulted from the embezzlement of $76,000 at the Department of State's principal cashier office (see also Investigative Recoveries). Management at several levels had failed to exercise appropriate controls or respond to problems identified by internal studies. The cashier operated from a lack of written procedures, insufficient separation of duties, lack of funds verification and reconciliation, poor records and staffing problems. Disciplinary action was recommended against the responsible officers. The Department imposed administrative sanctions ranging from an oral admonishment to 5-day suspensions without pay. (Department of State)

Disadvantaged Business Enterprise Frauds Result in 18 Decertifications

The OIG's commitment to curb abuses involving Disadvantaged Business Enterprise (DBEs) has continued. The Surface Transportation Assistance Act of 1982 and the Surface Transportation and Uniform Relocation Assistance Act of 1987 mandate participation by DBEs in transportation-related projects funded by the Department. The intent of Congress was to create an opportunity for disadvantaged businesses to participate in large contracts involving public projects. While the program has been successful, there have been abuses, primarily in the form of "fronts" or "brokers" who give the appearance of meeting program goals and objectives, but who in reality serve no commercially useful function.

During this reporting period, the OIG Hotline Center received 46 complaints questioning the certification of DBEs. The complaints were forwarded to appropriate certifying agencies, State office, or investigative elements for investigation and revalidation of DBE eligibility for the firms in question. Those efforts resulted in 18 decertifications during this period. Fifteen referrals are pending review and action by certifying authorities. (Department of Transportation)

Physicians Excluded From Medicare for 5 Years

A Louisiana husband and wife team of physicians, a surgeon and obstetrician/gynecologist, respectively, were each excluded for 5 years. They were convicted of billing Medicaid for services not performed. (Department of Health and Human Services)

Labor Law Violations Net VA Debarment

Two corporate officials and a job foreman pled guilty to labor law violations associated with a construction contract with a VA medical center. They were sentenced to prison terms of 5 years, 6 months, and 9 months respectively and all were placed on 5 year periods of probation. The two corporate officers were also ordered to terms of community service, and the job foreman was fined a total of $30,000. The corporation was debarred. (Veterans Administration)

Four Individuals Suspended from HUD Programs

The executive director of a Public Housing Authority (PHA) was convicted on three counts of wire fraud, six counts of bribery and one count of racketeering. He allegedly used the PHA as a racketeering enterprise through which he awarded contracts in exchange for bribes. An investigation by the OIG/FBI disclosed that HUD's Comprehensive Improvement Assistance Program

funded lucrative modernization contracts to PHA contractors who then supplied the executive director with goods, services, and cash for his personal use. The three contractors pled guilty. HUD suspended all four individuals from participation in HUD programs. The PHA director is awaiting sentencing. (Department of Housing and Urban Development)

Company President Excluded for Life From Doing Business with the Government

The president of Polymer Chemicals, Inc., Atlanta, Georgia, was sentenced to a 5 year suspended term, 6 months in a halfway house, fined $10,000 and along with several coconspirators entered a lifetime settlement of exclusion from doing grout related business on any federally funded projects. The defendant and his company pled guilty to conspiring to defraud the United States by selling underweight bags of chemical grout to sewer contractors and falsifying the origin of the grout. Underweight bags of grout used on EPA and other federally funded sewer projects compromises the sealant's effectiveness and the structural integrity of the projects. (Environmental Protection Agency)

Electrical Inspectors Debarred for Extortion

Julius Mastriana of New York, New York, was debarred for 3 years. Thomas DiMicelli and Eugene Riccardelli, both of Brooklyn, New York, were also debarred for 3 years. These debarments followed their conviction for extortion and mail fraud in their official duties as EPA electrical inspectors. The violations related to work performed by electrical contractors in New York City. (Environmental Protection Agency)

Egyptian Consulting Firm Suspended and Proposed for Debarment

Info-Tek Management Consultants and its owner were suspended from eligibility for contracting with U.S. Government agencies after an investigation disclosed that the responsible USAID/Egypt project officer's wife owned 90 percent of the firm. The local national employee had approved vouchers supported by false invoices, forged receipts and previously paid invoices. The employee was fired and his salary was withheld. (Agency for International Development)

CPA Debarred From HUD Programs After Conducting Audits in 18 States

A Certified Public Accountant (CPA) was first suspended and later debarred from further participation in HUD programs for a period of 3 years. The debarment action occurred after reviews of the CPA's work disclosed that due professional care was not exercised during audits of two HUD-funded housing authorities. The CPA's working papers did not show that financial statements agreed with accounting records, that internal controls were properly reviewed, or that sufficient evidence was obtained to support audit conclusions.

The CPA performed HUD-related audit work in 18 States. As a result of OIG referrals to each of the 18 State Boards of Accountancy, 9 initiated investigations of which 7 are still active. Most of the State Boards have advised that the CPA lacked a license to perform audit services in their respective jurisdictions. (Department of Housing and Urban Development)

Repair Contractor Debarred

A GSA repair and alterations contracting firm, and its owner, were debarred from contracting or subcontracting with GSA for 18 months. The debarment actions stemmed from an OIG investigation initiated after a GSA contracting representative advised the OIG that the contractor offered him $200. In return, the employee was to approve payment on the contractor's claim for work that had been submitted to GSA. The OIG then monitored a meeting between the GSA employee and the contractor during which the contractor gave the employee $200. The owner pled guilty to bribing a public official. He was sentenced to 1 year in prison (suspended), placed on 1 year unsupervised probation, and fined $1,000. (General Services Administration)

Los Angeles Pharmacist Debarred

A Los Angeles pharmacist was debarred from participating as a medical provider under the Federal Employees' Compensation Act (FECA) following his plea of guilty to theft of Government monies. The OIG investigation leading to the debarment found that the pharmacist falsely represented that a brand name drug was provided to a FECA claimant, when in fact, the prescription was filled using a less expensive generic substitute. (Department of Labor)

Psychiatric Corporation Excluded From Medicaid

A corporation of Massachusetts psychiatrists was convicted of defrauding the Medicaid program of over $30,000. The corporation was excluded from Medicaid participation for 7 years. (Department of Health and Human Services)

Company Debarred For Real Estate Theft

A realty company in Houston, Texas was recently barred from doing business with the VA and HUD, and five individuals have been arrested and indicted on charges of real estate theft. This was the result of an ongoing joint VA, Secret Service, HUD and

Houston Police Department investigation which disclosed that the individuals had purchased numerous VA-and HUD-owned properties using false identities, credit reports, job verifications, and other false documents. Further arrests and indictments are anticipated. (Veterans Administration)

Logging Firm and Officials Suspended Following Indictment for Timber Theft

An OIG investigation disclosed that during a 3 1/2-year period, logging company officials directed the theft of Forest Service timber in excess of $1.3 million, while harvesting timber on 14 contracts in Washington. The timber thefts were executed by removing timber from the National Forests without having it measured and tabulated for billing purposes at scaling stations and switching brands on logs indicating that they came from lower price sales than those from which they had actually come. The Forest Service suspended the individuals and companies from purchasing timber from National Forests until criminal proceedings were completed. (Department of Agriculture)

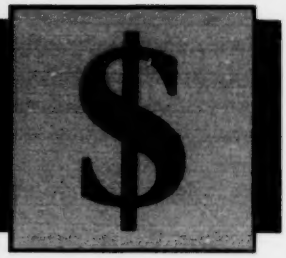
Physician Excluded From Medicaid for 10 Years

After a determination that services such as laboratory and diagnostic testing had been furnished subtantially in excess of the needs of his patients, a California physician was excluded for 10 years.

Florida Contractors Debarred for Offering Gratuities to Government Official

As the result of a personnel misconduct investigation into allegations that a Farmers Home Administration (FmHA) County Supervisor had accepted gifts and gratuities in exchange for the awarding of FmHA contracts, two contractors were debarred from supplying services to FmHA. The contractors had provided repair services on FmHA houses which had been vacated by borrowers who had received loans under FmHA's Rural Housing loan program. (Department of Agriculture)

ADMINISTRATIVE MONETARY PENALTIES ARISING FROM INSPECTOR GENERAL FINDINGS



This category includes monetary fines or penalties authorized by law and imposed through an administrative process as a result of IG findings. Administrative monetary penalties include actions and assessments imposed under: (1) the Program Fraud Civil Remedies Act (PFCRA); and (2) other administrative penalty authorities.

Administrative penalties are independently determined and assessed by a Federal program, although the administrative review leading to the penalty may be concurrent with an outside investigation or judicial action. In Fiscal Year 1988, members of the PCIE were responsible for total assessments of $13,361,216 in administrative penalties.

The PFCRA (31 U.S.C. sections 3801-3812), enacted on October 21, 1986, was a major landmark in the granting of powers to the Offices of Inspector General to combat fraud. The PFCRA establishes an administrative remedy for anyone who makes a false claim or false written statement to any of the Departments and major agencies of the U.S. Government. Those who submit false claims are liable for a penalty of up to $5,000 per claim plus up to double the false portion of the claim. Those who make a false written statement are liable for a penalty of up to $5,000 per statement.

Each department and agency has been responsible for promulgating rules tailored to its own requirements. The following table summarizes the status of the implementation by agency of the PFCRA. It indicates when the Notice of Proposed Rulemaking (NPRM), or final regulations were published and gives the Code of Federal Regulations (CFR) and Federal Register (FR) citations. Since the PFCRA applies only to claims and statements made after October 21, 1986, it may be a number of years before the benefits of the Act are fully realized.

The concept of fraud cases being handled by agency personnel and tried before administrative law judges was shown to be an idea that could work. Since 1983, the Inspector General of the Department of Health and Human Services (HHS) has been assessing monetary fines or penalties authorized by law and imposed through an administrative process, the Civil Monetary Penalties Law (42 U.S.C. sections 1320a - 7a). This statute applies principally to claims submitted to Medicare and Medicaid. Since 1983, 447 cases have been concluded resulting in recoveries of $52,450,296. During Fiscal Year 1988 HHS completed 95 cases and recovered $12,522,916.

For example, a settlement of $455,000 was reached in a suit against a medical group for preparing false Medicare billings for one of its ophthalmologist members. An OIG investigation showed that they had exercised little or no control over billings submitted for the ophthalmologist and had, without questioning the ophthalmologist, entered his coding of nonsurgical procedures as surgical procedures. The ophthalmologist had also subjected patients to dangerous procedures not approved by Medicare which were billed as reimbursable surgical operations.

In another example, over a period of years, a hospital repeatedly billed Medicare and Medicaid for inpatient psychiatric hospital days when the patients were actually on leave from the hospital. It had to pay civil monetary penalties and restitution totaling $300,000 to the Federal Government and the State.

The Inspector General of the Department of Education has recovered $838,300 resulting from 42 administrative penalties arising from Inspector General findings. In one case a college was fined $300,000 for continued abuse of student aid programs and was terminated from participation in the Department's student aid programs. This penalty resulted from an OIG investigation of a hotline complaint which disclosed that college officials failed to comply with the terms of a previous settlement agreement.

IMPLEMENTATION OF THE PROGRAM FRAUD CIVIL REMEDIES ACT OF 1986

AGENCY	STATUS	FR CITE	DATE	CFR PART
Agriculture	(under development)			
Agency for International Development	Final	52 FR 45312	11/28/87	22 CFR Part 224
Commerce	(under development)			
Defense	Final	53 FR 39262	10/6/88	32 CFR Part 277
Energy	Final	53 FR 44379	10/31/88	10 CFR Part 1013
Education	Final	53 FR 15673	5/3/88	34 CFR Part 33
Environmental Protection Agency	Final	53 FR 15182	4/27/83	40 CFR Part 27
General Services Administration	Final	52 FR 45183	11/25/87	41 CFR Part 105
Health and Human Services	Final	53 FR 11656	4/8/88	45 CFR Part 79
Housing and Urban Development	Final	53 FR 24000	6/24/88	24 CFR Part 28
Interior	NPRM	53 FR 4159	2/12/88	43 CFR Part 35
Labor	Final	52 FR 48492	6/2/87	29 CFR Part 22
National Aeronautics and Space Administration	Final	52 FR 39498	10/22/87	14 CFR Part 1264
Railroad Retirement Board	Final	52 FR 47705	12/16/87	20 CFR Part 355
Small Business Administration	(under development)			
State	(under development)			
Transportation	Final	53 FR 880	1/14/88	49 CFR Part 31
Treasury	Final	52 FR 35071	9/17/87	31 CFR Part 16
United States Information Agency	(under development)			
Veterans Administration	Final	53 FR 16704	5/11/88	38 CFR Part 42

SECTION II - PCIE AUDIT AND INSPECTION ACTIVITIES

RECOVERIES AND RESTITUTIONS ARISING FROM INSPECTOR GENERAL FINDINGS

Inspector General auditors will often encounter costs and expenditures to the Federal government which are inappropriate or unsupported. They will question those costs and recommend management seek recovery and/or restitution for these costs or expenditures. When management decides in favor of IG findings and recommendations, they will place the questioned costs in the accounts receivable for recovery which may be in the form of cash, offsets, tangible goods, property or other value.

TABLE 4. RECOVERIES AND RESTITUTIONS ARISING FROM INSPECTOR GENERAL FINDINGS

AGENCIES	AGENCY	DEFENSE CONTRACT AUDIT AGENCY	TOTAL
Agriculture	$33,487,432	0	$33,487,432
Agency for International Development	3,693,155	719,030	4,412,185
Commerce	19,597,961	0	19,597,961
Defense	169,983,000	1,022,016,477	1,191,999,477
Education	67,936,662	0	67,936,662
Energy	1,552,554	351,992	1,904,546
Environmental Protection Agency	53,000,000	0	53,000,000
General Services Administration	4,343,331	0	4,343,331
Health and Human Services	504,100,000	0	504,100,000
Housing and Urban Development	26,725,093	0	26,725,093
Interior	4,213,245	37,556	4,250,801
Labor	31,401,049	0	31,401,049
National Aeronautics and Space Administration	15,828,402	1,679,048	17,507,450
Railroad Retirement Board	3,100,000	37,308	3,137,308
Small Business Administration	4,000,000	0	4,000,000
State	16,136	0	16,136
Transportation	37,943,786	81,500	38,025,286
United States Information Agency	38,987	0	38,987
Veterans Administration	314,903,570	6,477,089	321,380,659
FY 1988 Total	$1,295,864,363	$1,031,400,000	$2,327,264,363

Examples

$90 Million Recovery Sought on Home Loan Debts

An OIG review of terminated guaranteed home loans showed the need for improved procedures and controls for the entire home loan debt establishment process. Regional offices had not properly accounted for property acquisition and foreclosure claim payments, processed veteran's or other obligors' liability accounts timely, or established debts in subsidiary accounts receivable systems. Clarifying and adhering to established procedures would result in potential recoveries of $90 million. The agency concurred with OIG recommendations and provided an acceptable implementation plan. (Veterans Administration)

Contractor Refunds $20.4 Million

A contractor purchased workmen's compensation and liability insurance from a commercial company that reinsured the risks with a second firm. A DCAA audit found that the reinsurer was a wholly-owned subsidiary of the contractor. This meant that the insurance costs were self-insurance rather than purchased insurance. The contractor also failed to discount its insurance reserves as required by cost accounting standards. The contractor measured the cost impact and refunded $20.4 million. (Department of Defense)

$20.3 Million in Improperly Claimed Costs Recovered

Illinois improperly received about $20.3 million in Federal funds because State intermediate care facilities for the mentally retarded (ICF/MR) were not certified in accordance with Medicaid requirements. The OIG's findings included instances where provider agreements had expired or were invalid because of retroactive certifications or written justifications maintaining that identified deficiencies did not jeopardize the patient's health and safety, nor seriously limit the facility's capacity to give adequate care.

In addition to procedural changes, OIG recommended financial adjustments totaling $20.3 million. The HCFA and State concurred with the findings and recommendations. (Department of Health and Human Services)

Grantee Claims Millions of Dollars of Unnecessary Costs

EPA awarded grants to assist the city of Stockton, California, construct a main water quality control plant and tertiary additions. The Stockton Record reported that the grantee was intentionally delaying the EPA's audit of its records and contracts on the project and that millions of dollars may have been spent inappropriately. The OIG found that the grantee claimed over $12 million on unnecessary construction, services that exceeded approved limits were unreasonable, or unauthorized and unallowable arbitration costs. The OIG also set aside over $15 million pending certification by the California State Water Resources Control Board that operational problems were corrected. The grantee's response to the audit consistently demonstrated a lack of understanding or agreement with the grant regulations. As a result of the OIG recommendations, the Agency sustained for recovery the entire $18,357,974 Federal share of the costs the OIG questioned and set-aside costs. (Environmental Protection Agency)

Two Lenders' Violations Result in $17.8 Million Recovery

In one audit of a $7.3 million business and industrial (B&I) loan to a manufacturer/seller of equipment for marine and energy industries, auditors found the terms of the loan guarantees were violated, in part, because the lender did not accurately disclose to the Farmers Home Administration (FmHA) the borrower's loan agreement with another bank prior to loan closing; assure the adequacy of collateral at loan closing; account for and assure the maintenance of collateral; and assure the accountability and proper use of loans funds. These violations resulted in unauthorized use of loan funds, collateral pledged as security not appraised, loan funds exceeding the appraised value of loan collateral, and inventory transferred to borrower-affiliated companies prior to liquidation without prior agency approval.

Another lender of a B&I loan to build a hotel complex violated the terms of the loan, resulting in the borrower constructing a two-story facility about half the size of the approved six-story complex. From the $7.3 million loan, over $2 million was not accounted for, and about $422,000 was used for unauthorized purposes. Without the FmHA approval, the lender also made additional loans totaling almost $4.5 million to the borrower subsequent to loan closing and the execution of an assumption and transfer agreement between borrowers. The lender did not require the borrower to provide quarterly and annual audited financial statements, and did not notify FmHA of the borrower's default on the loan in a timely manner. In both instances, auditors concluded that the 90 percent guarantee of the loans ($13.1 million) should be recovered from the lender and the lenders also repay FmHA approximately $4.7 million in accrued interest on the loans. (Department of Agriculture)

$12.4 Million in Excess Chapter 1 Funding Recovered

An OIG audit of the procedures and controls used by the Louisiana State Department of Education (SDE) for collecting and compiling State per pupil expenditure data resulted in the recov-

ery of $12.4 million in Chapter 1 funds. The expenditure data were used to allocate Chapter 1 funds for Fiscal Years 1985 and 1986. The SDE received excessive allocations due to errors in the compilation and categorization of data and the lack of a system to assure that this was accomplished properly. In addition to sustaining the recovery of funds, the Department required the SDE to develop and implement a control system incorporating both written instructions for accumulating and reporting the State per pupil expenditure data and assurance that those instructions are consistently followed. (Department of Education)

$7.8 Million in Federal Share of Uncollected Medicaid Overpayments Recovered

California did not return the Federal share ($7.8 million) of Medicaid overpayments made to community hospitals and long term care facilities during the period October 1, 1973 through September 30, 1985.

Adjustments had not been made because the State agency deferred crediting the Federal account until overpayments were recovered from providers. The Departmental Grants Appeals Board has ruled in similar cases that the Department has the right to collect the Federal share of these payments, even if recoveries have not been made. The HCFA concurred with OIG's recommendations that the State return $7.8 million and develop procedures to return the Federal share of identified overpayments. (Department of Health and Human Services)

$9.8 Million Recovered from Company Placed in Liquidation

A small business investment company (SBIC) with $9.8 million in Federal funding was referred for liquidation to protect government funds and to remove the company from the SBIC program. The OIG audit disclosed that the SBIC, which was licensed to provide venture capital to small businesses, had an investment portfolio which was rapidly deteriorating. Based on the OIG findings and recommendations, SBA was able to take timely action and collect the entire $9.8 million in Federal funds involved. (Small Business Administration)

An Estimated $9 Million Distilled Spirits Floor Stocks Taxes Uncollected

The Bureau of Alcohol, Tobacco and Firearms (BATF) collected approximately $142 million distilled spirits floor stocks taxes in 1986 as a result of the excise taxes increase. OIG auditors determined, however, that an estimated $9 million owed has not yet been collected. Additionally, BATF could have saved $479,000 in inspection resources by more effectively directing its efforts towards those tax payers subject to the majority of the tax liability. The BATF management has agreed to implement recommendations that will: (1) recover the estimated $9 million where feasible; (2) modify proof gallon comparison control procedures; (3) require dealers to determine their inventory quantity for tax purposes at the time an inventory is taken rather than establishing the quantity when the tax is due; (4) develop criteria to prevent subsidiaries from taking tax credits already taken by the parent company; and (5) conduct inventory inspections primarily at the wholesale and large/medium retail level and include known problem dealers. (Department of the Treasury)

Grantee Claims Over $9 Million for Unused, Uncompleted Facilities

EPA awarded five grants to the Kauai County, Hawaii, to plan, design and construct interceptor sewers to transport wastes and expand the existing sewage treatment plants to accommodate flow from cesspools. Three of the projects were underused because they were operating significantly below project flow levels. The OIG questioned $6.6 million and set aside another $3.1 million. By not accomplishing its grant objectives, the grantee failed to eliminate potential health hazards from failing cesspools, protect the underground water, streams and near shore waters of Kauai. As a result of OIG recommendations, the Agency sustained for recovery $4,926,024 of the Federal share that was questioned and set aside. (Environmental Protection Agency)

HCFA Failed to Bill State Agencies for $7.8 Million

An OIG audit determined that the Supplementary Medical Insurance (SMI) trust fund was losing significant revenue because the Health Care Financing Administration (HCFA) was not billing State agencies for premiums of all Medicaid recipients enrolled in the Medicare buy-in program.

The HCFA reacted timely and effectively to an OIG alert of the billing problem. With the cooperation of the Social Security Administration (SSA), HCFA reconciled its records with SSA's (SSA maintains records on Medicare coverage) and identified 13,789 buy-in enrollees for whom premiums were not billed to the State agency. The HCFA collected over $7.7 million from State agencies for the previously unbilled premiums and began billing the premiums on a current basis. The OIG estimated that adding the premiums for the 13,789 enrollees to current billings will generate an additional $11.5 million in trust fund revenues over a 5-year period.

The billing problem may resurface, however, since neither HCFA nor SSA was able to specifically identify its cause. Therefore, OIG recommended that HCFA and SSA periodically reconcile records until they are assured that the billing problem is eliminated. Both SSA and HCFA agreed to a periodic reconciliation to ensure that States are properly billed for buy-in premiums. (Department of Health and Human Services)

State Wage Matching Identified $7.7 Million in Overpayments

OIG computer matches have identified cases in which fraudulent or erroneous income information is being reported to the VA in support of means based benefits. Two recent audit reports resulting from State wage matches were issued with $7.7 million in overpayments established and $730,000 annual future payment avoidance. Referrals for investigation have been made in 971 cases to determine if criminal prosecution is warranted. (Veterans Administration)

$3.1 Million in Outstanding Debts to be Collected

Section 2(f) of the Railroad Unemployment Insurance Act (RUIA) provides for the reimbursement of benefits paid by the RRB if the employee also receives payment from his employer for the same period. If these debts are not repaid timely, the RUIA allows for the assessment of interest at the rate of one percent per month, or fraction of a month, on the unpaid balance. Section 12(o) provides for reimbursement of sickness benefits paid by the RRB provided the employer or a third party also paid damages based on liability for the same infirmity. There were $1.4 million recoverables under section 2(f) due the RRB from railroad employers. Section 12(o) recoverables totaled nearly $1.7 million. As a result of the OIG's audit, the Agency has agreed to aggressively collect the $3.1 million in outstanding debts. (Railroad Retirement Board)

States Claim Unallowable Cost of $4.3 Million in Unemployment Benefits

An OIG audit of the Federal share of the unemployment compensation program identified a variety of exceptions which resulted in questioned costs of $4.3 million. Of the $4,294,200 questioned for the State of New York, the Employment and Training Administration (ETA) disallowed $4,277,400. ETA also disallowed $67,600 in charges reported by the State of Massachusetts. (Department of Labor)

Government to Recover $4.2 Million in Improperly Expended Funds

The California State Department of Education replaced State funds with Federal Chapter 2 funds totaling $4.2 million to pay for programs it was required to conduct under State law. An OIG audit disclosed two violations of the "supplement, not supplant" requirement under Chapter 2 of the Education Consolidation and Improvement Act of 1981. As a result of the OIG's recommendations, the Government will recover $4.2 million dollars. In addition, the State Department of Education will be required to use fiscal control and fund accounting procedures that assure proper disbursement of, and accounting for, Chapter 2 funds. (Department of Education)

$3.3 Million in Claims Paid Because of Poor Lending Practices

Audits of mortgage lenders with automatic VA loan approval authority showed that some loans were improperly approved by not adhering to VA underwriting standards. Also, an audit of VA control systems for monitoring lender approval practices disclosed that they were not functioning adequately to identify delinquent practices. Indemnification of claims paid to lenders for improperly approved loans and improvements in VA control systems for monitoring lenders could result in potential recovery of $3.3 million in claim payments. The agency agreed with OIG recommendations and provided acceptable implementation plans. (Veterans Administration)

Improved Contract Management Could Save $3.2 Million

An audit of the contract for space transportation system operations at a NASA center disclosed that the cost-type contract had not been adjusted or modified for the delay of shuttle flights and the reduced flight schedule for future operations. As a result, approximately $2.4 million of incentive fee payments were questionable. Also, payments on the contract were made earlier than necessary. The Government could incur an estimated $736,000 in excess interest costs if early payment practices continue. The OIG made recommendations to adjust or modify the contract to reflect a new contract cost base, provide an equitable resolution of fee, and make payments closer to the discount date. The center plans to complete renegotiations with the contractor shortly, which should result in appropriate adjustments to contract cost and fee provisions. The center also has taken action to discontinue the early payment practice. (National Aeronautics and Space Administration)

UMTA Grantee Overclaimed Extraordinary Cost

An UMTA Region IV grantee overclaimed extraordinary costs of $1,828,807. The situation was attributed to a clerical error of $1,303,000 in construction inflation costs and inclusion of $525,807 of ineligible expenses in real estate condemnation costs. Since the grantee had been reimbursed for only $491,391 of these ineligible costs, the OIG recommended that UMTA require a refund of this amount. In addition, because the grant was virtually complete, the OIG recommended deobligation of $2.6 million remaining in the grant. UMTA received a refund of the $491,391 and has taken action to deobligate $2.6 million from the grant. (Department of Transportation)

City to Repay $1.9 Million in Ineligible Jobs Bill Costs

The city of St. Louis, Missouri has agreed to repay $1.9 million in Jobs Bill funds which were used to pay hospital staff when other funds were available. Also, duplicate payments were received from Medicare/Medicaid. Agency officials disallowed the $1.9 million and are currently evaluating a proposed repayment plan submitted by the city. The proposed repayment plan could result in the recovery of an additional $1.7 million of ineligible costs. (Department of Housing and Urban Development)

FNMA Repaid $1.6 Million for Overbillings

The Federal National Mortgage Association (FNMA) recently refunded $1.6 million to the Government National Mortgage Association (GNMA) for overbillings on services provided to GNMA in Fiscal Years 1984 and 1985. The overbillings resulted from unacceptable treatment of the development costs for a new accounting system. (Department of Housing and Urban Development)

$1.5 Million in Improper Expenditures Disallowed in Unemployment Insurance Program

The OIG audited grants awarded to three States for Fiscal Years 1984 through 1986. The audit reports cited exceptions of $553,600 for the Minnesota grant, $459,200 for the North Carolina grant, and $641,300 for the Pennsylvania grant. The audit exceptions were based on a variety of misexpenditures, including purchases of unauthorized equipment, expiration of obligational authority and maintenance of questionable resources-on-order. As a result of the audits, the Employment and Training Administration (ETA) disallowed the entire amounts that were questioned for Minnesota and North Carolina. The ETA also disallowed and has recovered $491,300 of the costs questioned for Pennsylvania. (Department of Labor)

Poor Management Results in Disallowed Costs of $206,500 and Deobligation of $1 Million

External audit of two grants awarded under Title I of the Public Works and Economic Development Act showed that neither project has met its time schedule for completion. The purpose of the awards was to create immediate employment and the work was to be substantially completed within 12 months. One grantee had inappropriately used about $206,500 for work not included in the project scope. The OIG recommended and the agency agreed to disallow all costs claimed for this added work.

The second grantee, a Michigan city, received $1 million in late 1983. The project was expected to be completed by December 1984, but the city did not meet that schedule. City officials said the project had been completed in June 1987 and final documentation would be submitted by September. However, they neither submitted the documentation nor explained their failure to do so. Despite repeated requests, they also failed to provide the required quarterly progress reports. The OIG recommended that the agency terminate the grant for cause, deobligate $1 million in grant funds, and recover $793,000. The city then reported that the project was 89 percent complete and would be completed no later than August 30, 1988. The agency agreed to deobligate the $1 million but proposed that the city be given a chance to hold to its proposed new schedule and comply with reporting requirements. (Department of Commerce)

$1 Million Grant Terminated

The Economic Development Administration terminated a $1 million public works grant when an OIG audit disclosed that the grantee had inappropriately limited competition to certified minority firms in its solicitation of construction contract bids. This was a violation of the grant terms and the Federal procurement standards. The grantee, an Eastern city, awarded the contract despite EDA's repeated warning and began construction without EDA's approval of bid documents and contract award. (Department of Commerce)

Recovery of $778,000 From ADP Equipment Supplier

An IRMS contracting officer negotiated the recovery of $778,000 from a multiple award schedule supplier of ADP equipment. The recovery resulted from two OIG postaward audits disclosing that the contractor violated the price reduction clause in its GSA contracts and overbilled contract users. OIG auditors found that the firm sold items to its commercial customers during the contract period at discounts higher than those disclosed to GSA during negotiations and without offering equivalent discounts to Government purchasers. GSA contracts specifically provide that the Government is entitled to equivalent price reductions if, after negotiations, the contractor reduces its discounts or grants special discounts to other customers. Relative to the overbillings, the auditors found that the firm did not always adjust prices for field service visits. Consequently, Government purchasers did not receive all of the discounts to which they were entitled. (General Services Administration)

Private Voluntary Organization Requested to Refund $345,717

Catholic Relief Services (CRS) distributed approximately $730 million in relief food for A.I.D. in 1984 and 1985. In addition to the commodities, CRS administered about $13.7 million in cash

grants received from A.I.D. recipient fees and sales of food containers. An OIG audit found that CRS had established a system for distributing large quantities of U.S. Government-donated food to undernourished people. However, improvements in CRS' administration of the program and A.I.D.'s oversight were needed. The audit disclosed that a longstanding disagreement had existed between CRS and A.I.D. over regulations governing the collection and use of recipients' contributions. CRS had made, as a matter of internal policy, the determination that A.I.D. regulations governing recipients' contributions did not apply to CRS operations and that country programs should be selfsustaining where possible. As a result, CRS did not comply with the regulations in determining recipients' ability to pay for food; clear criteria were not established for measuring recipients' ability to pay; and instances were identified during the audit where eligible recipients did not apply for Title II food because they could not pay established fees. The OIG made several recommendations to improve controls over the program. Additionally, the OIG recommended CRS refund A.I.D. $345,717 for unauthorized expenditures under two grants and funds improperly retained for the cost of administering transportation claims. (Agency for International Development)

$36,500 Sought from Contractor for Work Not Performed

An OIG investigation determined that a firm improperly billed seven school systems for $41,150 for energy audits that were never performed. The firm eventually received $36,500 from six of the schools which were reimbursed by the DOE. The DOE is seeking reimbursement for the amount the firm received. (Department of Energy)

Excessive Allowances of $13,500 Being Recovered

An OIG audit of an alleged overpayment of educational allowances and medical travel entitlement to an employee disclosed that the employee was overpaid $13,500. The employee agreed to make restitution to the Department for the overpayments. (Department of State)

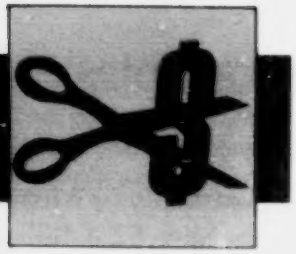
PCS Reimbursement Being Recovered

An OIG review of an allegation disclosed that an employee was improperly reimbursed $9,500 for relocation expenses relating to a permanent change of state (PCS) move. The reimbursement should not have been made because (1) the PCS was requested by the employee for his personal benefit, and (2) the PCS was authorized at Government expense 2 years *after* the employee had actually relocated, which is contrary to Government travel regulations. The employee is reimbursing the Government the $9,500. (Department of Labor)

Small Arms Ammunition Recovered

An OIG investigation disclosed that a security contractor at a major production facility failed to institute proper internal controls over the accountability and issuance of ammunition to the protective force. Over a 3-year period, this resulted in the theft or misappropriation of more than $40,000 in small arms ammunition and components. To date, $7,400 in small arms ammunition has been recovered. (Department of Energy)

SAVINGS AND AVOIDANCE OF UNNECESSARY EXPENDITURES



This category is a quantification of management and congressional action in response to the Inspectors General recommendations to prevent improper obligations for expenditures of agency funds or to improve agency systems and operations, and thereby reduce budget deficits through avoidance of unnecessary expenditures.

The amounts shown represent funds or resources that will be used more efficiently as a result of documented actions taken by management or Congress to implement IG recommendations, including: (1) actual reductions in unnecessary budgetary outlays; (2) deobligations of funds, reductions in costs incurred or preaward grant reductions from agency programs or operations; (3) reduction and/or withdrawal of the Federal portion of interest subsidy costs on loans or loan guarantees, insurance of bonds,

TABLE 5. SAVINGS AND AVOIDANCE OF UNNECESSARY EXPENDITURES

AGENCIES	AGENCY	DEFENSE CONTRACT AUDIT AGENCY	TOTAL
Agriculture	$33,835,635	0	$33,835,635
Agency for International Development	65,772,794	0	65,772,794
Commerce	98,708,336	92,010,484	190,718,820
Defense	2,154,076,000	8,465,213,089	10,619,289,089
Education	124,034,112	0	124,034,112
Energy	319,676,763	0	319,676,763
Environmental Protection Agency	47,700,000	0	47,700,000
General Services Administration	151,920,893	499,464	152,420,357
Health and Human Services	5,190,200,000	0	5,190,200,000
Housing and Urban Development	26,960,498	0	26,960,498
Interior	67,585,191	4,768,296	72,353,487
Labor	13,362,986	0	13,362,986
National Aeronautics and Space Administration	55,348,422	6,635,116	61,983,538
Railroad Retirement Board	34,800,000	0	34,800,000
Small Business Administration	41,731,959	19,516	41,751,475
State	2,440,175	0	2,440,175
Transportation	375,119,506	0	375,119,506
United States Information Agency	191,740	0	191,740
Veterans Administration	673,102,540	19,354,035	692,456,575
FY 1988 Total	$9,476,567,550	$8,588,500,000	$18,065,067,550

Examples

Adjustments to Medicare Hospital Payment Rates Save $2.6 Billion

Medicare's prospective payment system (PPS) rate includes an add-on percentage for teaching hospitals for indirect medical education (IME) costs associated with training activities. An OIG audit found that these teaching hospitals were earning greater than average profits from Medicare PPS and recommended reductions in the IME payments. The consolidated Omnibus Reconciliation Act of 1985 cut the IME adjustment factor in half which will save $2.6 billion during Fiscal Years 1990 and 1991. (Department of Health and Human Services)

Contract Overpricing Amounts to $788.9 Million

The Secretary of Defense requested an audit of contracts awarded to 95 contractors who sold DOD unreasonably priced spare parts that were identified in an earlier DOD-wide audit of the procurement of spare parts. The audit objective was to determine whether 774 contracts, subcontracts and contract modifications awarded to the 95 contractors were overpriced. The audit was conducted with the assistance of the DCAA.

The OIG found overpricing, amounting to $788.9 million on 47.2 percent of the 774 contracts audited. Failure by contractors to submit accurate, complete and current cost or pricing data to Government negotiators as required by the Truth in Negotiations Act, was the primary reason for the overpricing. Poor performance by contracting officers also contributed to the overpricing and auditors found that DCAA did not provide sufficient audit coverage to identify contractor violations of the Truth in Negotiations Act. The OIG made recommendations for recovering money on overpriced contracts in separate pricing audit reports issued to the applicable Defense activities. The recommendations on systemic issues are under consideration by the Department. (Department of Defense)

VA Marketing Center Improvements Could Net $63 Million

An audit of marketing center operations showed the need for significant improvements in accomplishing the VA's centralized procurement mission. Improvements were needed in contract negotiation and award processing, the annual equipment purchase program, staff utilization and organization, and management of the VA supply depot system inventory to insure stock availability. As a result, there was no assurance that fair and reasonable prices were negotiated and awarded for purchases of supplies and equipment, or that these items would be available when needed. Implementing audit recommendations should result in more effective and efficient use of an estimated $63 million. Recent realignments were undertaken at the marketing center to correct some of these deficiencies. Management concurred with the audit recommendations and provided acceptable implementation plans which included a major reorganization at the center that should help in resolving some of these problems. (Veterans Administration)

Chemical Recovery Process Can Reduce Costs by More Than $44 Million

An OIG audit showed that increasing chemical recovery at the Oak Ridge complex's Y-12 Plant would convert large backlogs of unprocessed uranium scrap and waste material into highgrade uranium at a fraction of the cost of producing the uranium through enrichment of uranium ore. A primary function of the Y-12 Plant is to recover highly enriched uranium scrap and waste materials resulting from production activity at the plant and other DOE facilities. By placing greater reliance on increased chemical recovery, DOE could reduce future production costs by about $44 million. Also, large backlogs of uranium scrap and waste material would be reduced, providing needed storage space and improving accountability. Additionally, the elimination of dual accounting systems in chemical recovery would save another $175,000 per year. Management concurred in the recommendations and initiated corrective actions. (Department of Energy)

$1.14 Billion Saved by Reducing Cataract Surgeon Fees

An OIG study examining Medicare reimbursement for cataract surgery recommended that the Health Care Financing Administration (HCFA) (1) reduce the cataract surgeon's fees paid by Medicare and (2) pay a single professional fee to cover all professional staff associated with cataract surgery. These changes were recommended to reflect changes in cataract surgery costs due to technical advances.

The Omnibus Budget Reconciliation Act (OBRA) of 1986 reduced prevailing charge levels for cataract surgery in Fiscal Year (FY) 1987 by 10 percent and 12 percent thereafter. The HCFA estimates that this will result in $600 million in savings over FY 1989-1991. (FY 1987-1988 savings were previously reported.) The OBRA of 1987 effectively implemented the second OIG recommendation by establishing a formula for further reducing prevailing charge levels for cataract surgery. The OIG estimates this change will result in savings of $541.5 billion over the Fiscal Years 1988 to 1992. The total FY 1988-1992 Medicare cataract surgery savings resulting from the OIG study are over $1.14 billion. (Department of Health and Human Services)

Reduction in Number of Census Processing Sites Can Avoid $40 Million in Costs

OIG auditors determined that the Bureau of the Census could decrease the number of processing offices planned for the 1990

census and convert $40 million to other critical census activities that are now underfunded. The planned 11 sites would require nearly 14,000 employees and cost about $550 million, while seven sites would require about a thousand fewer employees and cost only $510 million. The OIG also considered that using 11 sites would be extremely risky in a management sense. Census had never used large-scale decentralized processing and had new, untested computers with software not yet developed. Finding qualified personnel to manage and give technical assistance to a large number of processing offices would be difficult. Census responded by conducting a cost comparison, a site analysis, and a review of requirements. Results confirmed that seven sites would meet virtually all 1990 objectives at significantly reduced cost, and the Department concurred with the reduction. (Department of Commerce)

Proper Accounting for Facility Acquisitions Could Save $37 Million

An audit of a contractor's claim for facility acquisitions at one NASA center showed that the contractor has classified a facility lease as an operating lease and is requesting full reimbursement of all lease expenses. In the OIG's opinion, and in accordance with the provisions of the Federal Acquisition Regulation and generally accepted accounting principles, the lease should be classified as a capital lease and reimbursement should be limited to the fair market value of the facility. NASA could realize a cost savings of $34 million over the remaining life of the lease period by requiring the contractor to classify and claim the facility lease cost as a capital lease instead of an operating lease. Also, about $3 million can be recovered from payments already made to the contractor. Due to the complexity of the issue, NASA management is working with the contractor to resolve the audit recommendation. (National Aeronautics and Space Administration)

$31 Million in Proposed Equipment Purchases Unnecessary

The Agricultural Commodities and Equipment Program was intended to increase productivity in Pakistan's agricultural sector by providing A.I.D.-funding of $300 million for the procurement of needed equipment and spare parts. These commodities were to be used to maintain and rehabilitate Pakistan's irrigation system. This effort was to involve about 8,700 miles of canals and about 2,175 miles of surface drains. The OIG found that a substantial amount of A.I.D.funded equipment was not being effectively utilized, mostly because it was not needed. Nonetheless, USAID/Pakistan management has proposed to fund $31 million for additional equipment and for overhaul of older equipment under a proposed amendment to the Irrigation Systems Management project. The OIG also found that responsibility for monitoring equipment utilization and correcting reported problems needed to be clearly assigned to a specific operational activity. Also, increased emphasis needed to be placed on assisting the Provincial Irrigation Departments to establish an equipment maintenance system and to begin using A.I.D.-funded workshop machinery. The OIG made recommendations to improve utilization and achieve maximum benefit from A.I.D. assistance, including justifying the need for $31 million in proposed new and overhauled equipment for the Irrigation Systems Management project. (Agency for International Development)

Restricting Use of Guarantee Agencies' Reserve Funds Could Save $28.7 Million

An OIG audit disclosed that guarantee agencies used restricted reserve funds for purposes which were (1) improper in light of regulatory restrictions, (2) questionable in terms of qualifying as payments necessary for the proper administration of the guarantee agency's loan guarantee program, or (3) questionable in terms of being appropriate investments in what would be classified as low-risk securities. Program regulations did not clearly indicate their applicability to the agencies' uses of such funds. As a result of the OIG's recommendations, the Department revised its regulations and improved its monitoring of the agencies' use of reserve funds. The OIG estimates that these actions could save $28.7 million. (Department of Education)

USDA Withholds $27 Million in Payments

The principal owner of several banking institutions, through unusual lending practices and security requirements, devised a scheme to evade the $50,000 payment limitations for the Conservation Reserve Program (CRP). The banker used a "financial plan" to purchase farms enrolled in the CRP. Through the financing arrangements, the banker was able to retain managerial control of the farms, receive the majority of program payments in the form of loan repayments, and obtain the benefits of ownership, including 40 to 50 percent of the total equity in the property. Payments of about $3 million had already been made to the borrowers, with an additional $27 million scheduled to be paid over the remaining contract periods. The USDA has withheld the 1988 payments and is now determining if any of the participants are entitled to payments, as well as their eligibility to continue the existing contracts. (Department of Agriculture)

Adjustments to Medicare's Prospective Payment System Save $589 Million

The OIG surveyed 892 hospital cost reports to determine first-year profits under the Medicare prospective payment system (PPS). The survey showed that hospitals earned profits in excess of 14 percent under PPS. Based on this survey, the OIG recommended that PPS payments should be adjusted to reflect large Medicare profits being earned by hospitals. Section 4002 of the Omnibus Budget Reconciliation Act of 1987 prevented PPS rates from increasing a scheduled 2.7 percent; instead PPS rates rose only 0.4 percent from November 21, 1987 to April 1, 1988. From April 2 to September 30, 1988 rates rose 3 percent for rural

hospitals, 1.5 percent for large city hospitals and 1 percent for all other PPS hospitals. Savings for the period April 1 to September 30, 1988, based on Congressional Budget Office estimates, are $589 million. (Department of Health and Human Services)

USCG Files a Claim for $120 Million

During a survey of the USCG's Fleet Rehabilitation and Modernization Program, the OIG concluded that timely action was needed by the USCG to establish claims against a major shipbuilder in bankruptcy. This requirement was due to an absolute "Bar-Date" established by a U.S. Bankruptcy Court. Under the court's order, any creditor or equity security holder was required to file a proof of claim or interest on or before June 6, 1988. The OIG found that the USCG was not making an effort to establish appropriate claims although the potential for significant numbers of disputed or contingent claims existed due to outstanding issues that occurred prior to the shipbuilder's bankruptcy filing of August 17, 1987. The OIG recommended that USCG evaluate and establish appropriate claims by the "Bar-Date" giving consideration to the areas of (1) liquidated damages, (2) unresolved audit matters, (3) surplus material, (4) costs of living adjustments, (5) progress payments in excess of $18 million, and (6) contractor delays. In response to the OIG's recommendation, USCG filed a claim of $120 million. (Department of Transportation)

Improved Justification for Renovations Could Save $85 Million

The VA needs to develop a comprehensive plan to assist management in determining the suitability and cost effectiveness of the continued use of VA historic buildings. For instance, one medical center's assessment of needs included a $14 million project to renovate buildings because of the buildings' historical significance, although there was little justification for renovating the buildings. Overall, efficiencies in excess of $85 million could be realized by assuring that renovation and other projects for historic buildings are appropriately justified. In addition, the VA should identify Department of Veterans Benefits regional offices in unacceptable GSA space and either correct the unacceptable conditions or find alternatives. This action will improve program effectiveness and assure that space leased from GSA is suitable. (Veterans Administration)

Department Deobligates $76.2 Million

An OIG review of Education's Impact Aid payments accounting system disclosed that the accounting system did not conform to the accounting principles, standards, and related requirements prescribed by the Comptroller General. Accounting system controls did not assure timely deobligation of funds, maintenance of accurate accounting records, and appropriate reporting of financial data to the Department of the Treasury and the Office of Management and Budget. Specifically, unexpended fund balances were not periodically reviewed to determine if funds should be deobligated. Based on the OIG's recommendations, the Department deobligated about $76.2 million, thereby reducing future outlays by this amount. (Department of Education)

Cost Exceptions of $33.5 Million Are Sustained

The OIG issued a special summary audit report on the 12 claims submitted under the American Revolution Bicentennial Administration. Of the claimed costs of $38.2 million, OIG disallowed and questioned costs totaling $37.9 million (99 percent) because the costs were either unallowable under Title 48 of the Code of Federal Regulations ($13.5 million), not adequately supported ($23.6 million), or not allocable to the licensing contracts ($.8 million). These audits were conducted in conjunction with meeting a congressional requirement and completed OIG's involvement with the Department's settlement process for claims submitted under the Bicentennial Administration. Significantly, $33.5 million of the cost exceptions were sustained. (Department of the Interior)

Delayed Public Works Projects Need More Assertive Management

The OIG conducted an audit of public works projects that were behind schedule to determine the extent of and reasons for the delays, as well as the corrective action called for. The audit showed that the Economic Development Administration had approved projects and changes inappropriately and continued to fund projects long after they should have been terminated. Moreover, the pattern was continuing in projects still under way. The regional offices were not assertively discharging their program management responsibilities. The OIG recommended (1) closeout, termination, or extension, if justified, of the 132 open grants totaling $119.2 million that are significantly behind schedule; and (2) deobligation of undisbursed funds or recovery of disbursed funds on projects that have not met their objectives or are otherwise in violation of the grant agreement. EDA generally concurred; so far, $32.2 million has been deobligated. (Department of Commerce)

Excluding Inappropriate Capital Related Costs from Medicare's Prospective Payment System Rates Saves $450 Million

Medicare reimburses hospitals through the prospective payment system (PPS) which provides a pre-determined fee based on the patient diagnosis. Recommendations from an OIG report on the inappropriateness of including certain hospital capital costs when formulating PPS rates were reflected in the Omnibus Budget Reconciliation Acts (OBRA) of 1986 and 1987. OBRA of 1986 reduced capital-related payments to PPS hospitals by 3.5 percent

for Fiscal Year (FY) 1987 cost reporting periods; by 7 percent for FY 1988 reporting periods; and by 10 percent for FY 1989 reporting periods. OBRA of 1987 increased these percentage reductions requiring that capital payments be reduced by 12 percent for cost reporting periods beginning January 1, 1988, and by 15 percent for FY 1989 reporting periods. The Congressional Budget Office estimates that these changes will result in savings of $450 million in FY 1988-1990. (Department of Health and Human Services)

Reduction of Requirements for USCG Helicopter Procurement Needs Saves $62 Million

The Unites States Coast Guard (USCG) reduced the number of Medium Range Recovery (MRR) helicopters being procured thereby saving $62 million. The savings resulted, in part, from the OIG's prior audit of the USCG Short Range Recovery (SRR) Helicopter Replacement Program which took exception to the number of SRR helicopters being procured. In response to the SRR audit, the Deputy Secretary requested the USCG to review its helicopter capabilities, and although the full SRR procurement was ultimately approved, a reduction was made in the MRR procurement after taking into consideration the higher number and capability of the new SRR helicopters. The USCG agreed with the report and emphasized that additional savings have resulted from the decision to procure a helicopter already in use by the Navy and by consolidating USCG and Navy requirements into one procurement action. (Department of Transportation)

VA Procurement of Generic Drugs Could Result in a $43 Million Cost Avoidance

The VA has not always bought less costly generic drugs when they became available. This occurred because the marketing center entered into restrictive contracts to purchase brandname drugs without adequately considering the availability of generic drugs. The OIG recommendations to develop strategies to procure generic drugs in a timely manner and to work with the DOD to incorporate similar strategies into their acquisition process will result in a cost avoidance of approximately $43 million for the next 5 years. Management agreed with the OIG recommendations and provided acceptable implementations plans. (Veterans Administration)

Weapons Reduction Could Save $32 Million

OIG auditors determined that by reducing the numbers of W88 weapons planned for production, DOE could save an estimated $32 million. When weapon systems are in early planning stages, the DOD and the DOE reach agreement on the number of weapons DOE will produce. DOD establishes mission quantities while DOE has prime responsibility for determining the additional amounts needed to replace weapons selected for testing (testing spares). The additional weapons are part of the overall quantity of weapons produced and are counted as part of the total weapons stockpile. The OIG auditors found that DOE had significantly lengthened its notification period to DOD and had improved its test completion performance. This reduced the number of testing spares required. However, no reduction had been made to the weapons production schedule. (Department of Energy)

Review of the RCPS Development Project Saves $25 Million

The OIG's review of the RRB's major computer modernization project the Retirement Claims Processing System — revealed that this trouble-plagued project was beyond the RRB's technical and managerial ability to successfully complete. They found that cost-overruns of $25 to $35 million and implementation delays of 2 to 4 years could be expected unless the project was sharply curtailed. As a result of the OIG review of the RCPS project, the RRB issued a stop-work order on the RCPS development contract. Following this action, the Congress eliminated Fiscal Year 1988 funding for the project pending a complete reevaluation. As a result of the review, the RRB avoided at least $25 million in direct contract payments. (Railroad Retirement Board)

$18.5 Million Avoidance Through Preaward Audit

GSA management committed itself to avoid expenditures of $18.5 million after successfully negotiating pricing concessions in that amount from an ADP equipment firm. The commitment stemmed from an OIG audit of the firm's $180 million pricing proposal in response to a GSA solicitation for ADP equipment and software. The audit report, advised the contracting officer that discounts offered to commercial customers were not accurately disclosed in the firm's proposal and that these discounts exceeded the best discounts offered to GSA. The report recommended a $12.7 million cost avoidance. A subsequent upward revision in the estimated contract sales led to the higher management commitment amount. (General Services Administration)

Community Proposes $15 Million Unneeded and Unaffordable Facility

The Eagle Lake Community Services District, California, proposed constructing a $15 million facility to serve only 170 dwellings, without assurances that the facility was necessary or that the project could be financed. The total cost of the proposed project would exceed the value of the property within the communities, and there is no assurance that either the property owners with properly functioning septic systems could be forced to abandon their septic systems, or would be able to fund the new system. The OIG recommended that the agency inform the State that the project is no longer considered viable for funding. (Environmental Protection Agency)

OIG Review Identifies Potential Underpayments of $10.7 Million

The OIG performed a technical assistance review of five State Employment Security Agencies (SESAs) to develop computer software that could be used to identify employers who potentially underpaid State Unemployment Insurance (UI) taxes as a result of their underreporting of taxable wages. The review identified over 13,000 employers who potentially underpaid approximately $10.7 million in UI taxes. The OIG recommended the Employment and Training Administration encourage the SESAs to adopt computer models for use in targeting employers for field or in-house audit to determine underpaid taxes. (Department of Labor)

$10.3 Million of Contract Audit Exceptions are Sustained

A series of 10 contract claim audits on construction projects in the Bureau of Reclamation took exception to $11.4 million of project costs. Significantly, contracting officers sustained $10.3 million, or 90 percent, of the cost disallowed and questioned in these audit reports. (Department of the Interior)

Mortgagee Review Board Actions Result in Indemnification of Future Losses of $9.3 Million

HUD's Mortgagee Review Board (MRB) took actions that resulted in repayments or agreements to repay over $5.1 million for claims paid and indemnification from future potential losses of over $9.3 million (based on average past payments per loan), and assurances that the lenders' quality control programs will be improved to prevent future recurrences of problems, as a result of an OIG audit. The MRB is empowered to take sanctions ranging from a reprimand to withdrawal of approval against mortgagees that violate HUD regulations or requirements. During this fiscal year, the OIG issued 14 audit reports to the MRB. These reports disclosed mortgagee deficiencies in underwriting loans and in maintaining quality control programs. The MRB took action on 20 reports during this fiscal year. (Department of Housing and Urban Development)

$7.2 Million Cost Avoidance Through Preaward Audit

GSA management avoided expenditures of $7.2 million after successfully negotiating pricing concessions in that amount from an ADP software firm. The avoidance stemmed from an OIG audit of the firms's $17 million pricing proposal submitted in response to a GSA solicitation for software conversion services. The OIG advised the contracting officer that the proposal contained overstated and unsupported costs and that contractor estimates were incomplete. The auditors recommended a cost avoidance of $9.9 million in the following categories: direct labor and fringe benefits, license and royalty fees, relocation costs, overhead and general and administrative expenses. (General Services Administration)

$7 Million Cost Avoidance Recommended

The OIG evaluated discount schedule and marketing data submitted in response to a GSA solicitation for the purchase, repair, and maintenance of data processing and office information systems equipment and software. The review focused on the maintenance portion of the contract which represents $75 million of the total $507 million in estimated sales under the contract. The audit disclosed that the firm's initial offer did not clearly portray the extent of the pricing concessions granted to other customers. The firm maintained that no discounts are given for normal maintenance and that a relatively small percentage of sales to customers fall under a special bid arrangement whereby customers assume certain maintenance functions or responsibilities in exchange for lower prices. A sample review of sales transactions, however, found that for 37 percent of these sales the special bid arrangement discounts were granted. The OIG advised the contracting officer about these concessions and recommended a cost avoidance of $7 million. The contracting officer successfully negotiated the contract and obtained $7 million in pricing concessions. (General Services Administration)

$7 Million in Federal Funds Saved

An OIG audit of a Small Business Investment Company (SBIC) licensed to provide venture capital to small business concerns found that the licensee was violating numerous provisions of the regulations governing the SBIC program, including: (1) engaging in transactions involving conflicts of interest; (2) charging excessive interest rates on capital provided to small businesses; and (3) exercising control over a portfolio concern. The OIG performed a subsequent audit of the licensee and found that although the SBIC had been specifically instructed by SBA to correct its past practices, it continued to violate the same regulation provisions as before. As a result of the findings and recommendations on these audits, SBA rejected the SBIC's application for $7 million in Government funding. (Small Business Administration)

Court Decision Allows EDA to Avoid Paying $3.1 Million

The U.S. Court of Appeals ruled that the Economic Development Administration could terminate its guarantee of two loans totaling $2.1 million. The OIG had recommended that the guarantee not be honored because audit showed that the bank making the loan had not fulfilled its responsibilities under the guaranty agreement. When EDA refused to pay, the bank filed suit and won. However, the appeals court reversed that decision. Termination of the guarantee means that EDA will avoid paying a total of $3.1 million

(the original loan amount plus $1 million in accrued interest). As the first guaranty termination litigated and decided by the court, this case has far-reaching impact and significance for Commerce and for other Federal agencies that have loan guarantee programs. (Department of Commerce)

Significant Cost Savings Possible Through Staff Reductions

An OIG audit showed that the National Ocean Service's (NOS), Office of Ocean and Costal Resources Management could reduce its staff from 80 to 42, with annual cost savings of nearly $1.7 million. In Fiscal Year 1988, the office budget was $44 million. Most of the budget is awarded in grants to States to fund the coastal zone programs funded by State agencies. The office does not control its own workload, but instead reacts to the work of others by reviewing reports, monitoring grants, processing licenses, and performing other functions. The OIG assessed the workload and made specific recommendations to reassign tasks and reduce staffing in each of three line divisions. A fourth division could be eliminated altogether by transferring positions and functions to other units, including the Office of the Director. The National Oceanic and Atmospheric Administration, NOS's parent agency, agreed that improvements in efficiency were needed and committed to making manpower reductions wherever possible. (Department of Commerce)

U.N. Housing Adjustments Can Save $1.3 Million Annually

An audit of the housing program at the United States Mission to the United Nations has produced major changes, including significant reductions in size and costs. Auditors found that expensive housing allowances had been granted to many more personnel than could be appropriately justified. The housing itself was more costly than necessary. The Department and the Mission are currently implementing most of the recommendations. The program will be limited to 20 participants, rather than the previous 44, and will include smaller and less expensive housing units. Participants will pay for their own utilities and will contribute 20 percent of their salaries toward their apartment costs. Homeowners will be excluded from the program. The cost will be approximately $700,000 per year, a savings of $1.3 million dollars per year in Fiscal Year 1990 and future years. (Department of State)

$1.2 Million Contract Deobligated

An OIG investigation has resulted in the deobligation of $1.2 million in Job Training Partnership Act (JTPA) funds to a Florida company. The company was under contract to recruit, train, and place 500 JTPA participants. The investigation disclosed that the company had submitted false documents to claim payments. (Department of Labor)

Over $800,000 in Customs Collections Stolen

Customs auditors determined that established policies and procedures for controlling Customs collections, serially numbered forms, and Government Losses in Shipment Act transmittals were not followed at the Los Angeles International Airport. Consequently, an over $800,000 theft was not detected for more than a year. The OIG had reported the procedural problems which permitted the undetected theft on four previous occasions, but the promised corrective action was never taken. As of July 25, 1988, approximately $5,200 in lost funds had been recovered. (Department of the Treasury)

Cost Questioned in Currency Paper Price Proposal

The OIG questioned proposed costs of approximately $3.1 million in a price proposal submitted by the Bureau of Engraving and Printing's largest supplier of currency paper. Bureau management upheld approximately $616,000 as disallowed costs. The OIG auditors also determined that the contractor's accounting system contained deficiencies that did not permit the determination of actual cost per pound of currency paper. The actual cost per pound is crucial to determining the reasonableness of the proposed costs. (Department of the Treasury)

Adjusting Per Diem Rate Can Save More Than $406,000 Annually

The OIG found that the Paris Embassy had used improper cost data to justify a $192 per diem rate. It based U.S. visitor expenditures on more expensive hotels and restaurants than normally used and did not reflect accurately other spending practices. Using corrected information on visitors' hotels and related costs provided by the auditors, the Department's allowances staff developed a corrected rate of $162. Using only the number of visitors officially logged over the previous year, the auditors calculated that the per diem reduction would save $406,000 over the next year. Additional costs will be avoided because Government contractors on business overseas are bound to the Embassy per diem rate by Public Law 99-234. As Embassy logs do not cover contractors, such savings cannot be reliably estimated. (Department of State)

Workers' Compensation Rolls Reduced by $200,000

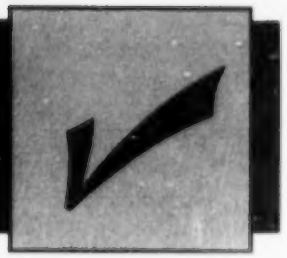
The OIG and the Army and Air Force Exchange Service (AAFES) worked for 2 years to develop a method where they could improve the number of individuals returning to work after injuries and prosecute where necessary. The OIG and AAFES developed a form to require those receiving benefits to report

employment. Once this program was initiated, 29 percent of those receiving the form returned to work or had their claims controverted. For the first time these individuals are subject to prosecution and are made aware of their duty to report wages. This project reduced the compensation rolls by $200,000 annually. (Department of Labor)

Need for Improved Controls Over Agency-Owned and Leased Vehicles

An OIG review of internal controls over agency owned and leased vehicles resulted in findings identifying a need for better accountability over vehicle usage, gasoline credits and expenditures. The OIG also identified needed improvements in leasing practices. Usage logs were not being adequately completed or reviewed. The lack of management oversight has resulted in financial loss for the agency and increased potential for future loss. Further, the agency had not satisfactorily complied with procurement regulations for leasing vehicles. The agency has initiated actions to require greater management supervision over vehicle operations, adopted a system that requires certification of vehicle usage, agreed to obtain gasoline through self-service pumps, and contacted GSA to obtain bids on replacement vehicles. (United States Information Agency)

QUALITY ASSURANCE OF WORK PERFORMED BY NONFEDERAL AUDITORS



Federal agencies may rely on audits performed by nonfederal auditors provided that they conform to government auditing standards and other Federal requirements. Federal Inspectors General are responsible for assuring that audits of Federal activities by nonfederal auditors meet applicable standards. Such audits may include organization-wide audits of State and local governments as required by the Single Audit Act of 1984.

To carry out their responsibility, Inspectors General perform desk reviews and/or quality control reviews of nonfederal audits. A desk review is an examination of the audit report to assure that it is complete with respect to the proper financial statements and opinions and any additional Federal requirements. A quality control review is a more detailed examination of the audit work performed and generally involves a review of the nonfederal auditor's working papers.

Upon completion of a desk or quality control review, an Inspector General will complete the processing of a report as follows:

- *Without change or with minor changes* — reports the cognizant agency (whether assumed or assigned) audit organization transmits to appropriate program officials which do not require any changes or only minor changes or do not require correction of other than minor deficiencies in the audit work.

- *With major changes* — reports issued after major changes to the audit report and/or after correction of substandard performance in the audit work. Examples of major changes/deficiencies include: material errors in a major component report, or another report or audit work deficiency which by itself represents a departure from generally accepted government auditing standards (GAGAS) but does not make the audit report unusable if not corrected.

- *With significant inadequacies* — reports submitted with significant inadequacies which make the audit so pervasively faulty that users can not rely on it. Examples of significant inadequacies include: workpapers inadequate enough to preclude an assessment of the adequacy of the auditor's work on the study of internal controls or the testing of compliance requirements, or other departures from generally accepted auditing standards so gross as to undermine the credibility of the audit.

Results of Nonfederal Audit Quality Activities

This year, 12 Inspectors General performed desk reviews on 13,969 nonfederal audit reports prepared by independent public accountants (IPAs) or State or local government auditors. On 605 of these reports, they also performed quality control reviews (QCRs).

Of the reports receiving only desk reviews, 11,206 (84%) were processed without changes or with minor changes, and 2,158 (16%) required major changes or contained significant inadequacies. However, of the 605 audits for which a QCR was performed, 44% required major changes or had significant inadequacies.

Of the audit reports prepared by IPAs this year, 19% required major changes or contained significant inadequacies. Of the audits performed by State or local governmental auditors, 6% required major changes or had significant inadequacies. However, in instances when QCRs were performed, 46% of audits prepared by IPAs and 25% of audits prepared by State and local governmental auditors required major changes or had significant inadequacies.

The results of desk and quality control review activity are summarized in Table A.

Auditors Referred to State Licensing Boards and Professional Societies for Deficient Audit Work

Deficient audit work may result in the referral of an auditor to the auditor's State board of accountancy or the American Institute of Certified Public Accountants. These referrals can lead to revocation of a CPA's certificate and/or license, monetary fines and other disciplinary actions. Under a suspension/debarment action, an auditor may be prohibited from conducting audits of government activities. Under a limited denial of participation an auditor may be prohibited from conducting audits for a limited time period, within a specified jurisdiction. Table B summarizes Federal sanctions against auditors during this period.

Table A. Summary Results of Desk and Quality Control Review Activity For FY 1988

Overall

	Desk Reviews	%	Quality Control Reviews	%	Total	%
Reports issued without change or with minor changes	11,206	84	338	56	11,544	83
Reports issued with major changes	1,817	14	198	33	2,015	14
Reports with significant inadequacies	341	2	69	11	410	3
Total	13,364	100	605	100	13,969	100
Reviews of Audits Performed by Independent Public Accountants						
Reports issued without changes or with minor changes	9,549	82	288	54	9,837	81
Reports issued with major changes	1,741	15	183	34	1,924	16
Reports with significant inadequacies	324	3	67	12	391	3
Total	11,614	100	538	100	12,152	100
Reviews of Audits Performed by State/Local Government Auditors						
Reports issued without changes or with minor changes	1,657	95	50	75	1,707	94
Reports issued with major changes	76	4	15	22	91	5
Reports with significant inadequacies	17	1	2	3	19	1
Total	1,750	100	67	100	1,817	100

Table B. Federal Sanctions Taken Against Nonfederal Auditors This Period

	10/87-3/88	4/88-9/88	FY 88
Referrals to State Boards	21	17	38
Suspensions/Debarments	4	6	10
Limited Denials of Participation	0	4	4

Disciplinary Actions Levied Against CPAs Referred for Substandard Work

Disciplinary actions taken this year which were based on IG referrals include:

- One CPA's license and certificate were revoked.
- The AICPA issued a reprimand to one CPA and required 80 hours of continuing professional education and review of future work.
- The State board suspended the CPA for two years (stayed), placed him on probation for two years and fined him $1,000.

ALLEGATIONS OF FRAUD, WASTE, OR MISMANAGEMENT

The Inspectors General maintain telephone hotlines and other mechanisms for receiving allegations of fraud, waste, mismanagement or other irregularities received from agency employees and the public. Allegations are usually made directly over the IG hotlines. During Fiscal Year 1988, Inspectors General received 10,442 allegations of fraud, waste or mismanagement.

Examples

Contractor Loses Bids to Operate Job Centers

OIG reviews substantiated an allegation that a Job Corps contractor was committing apparent program abuse. The reviews disclosed poor performance caused in part by apparent program abuse, failure to follow regulations and procedures, and inadequate controls. As a result of the contractor's poor performance, the Job Corps program did not exercise the option year on one of the two centers reviewed with particularly poor performance. Also, the contractor was in contention in a procurement for operating another center; the company's technical rating was reevaluated to include the results of OIG work. Based on OIG work, this contractor's technical evaluation score was reduced. The contract was then awarded to another bidder. The amount of the two contracts which this contractor then lost, including option years, totals over $49 million. (Department of Labor)

Minority Business Enterprise Was Operated As A False Front

An allegation that a certified minority business enterprise (MBE) firm in Texas was a false front for a general contractor was substantiated. The complainant alleged that although the MBE had been previously decertified it had been recently awarded a Federal-aid project by the Texas Highway Department. The Highway Department found that the former MBE was not performing a commercially useful function and could not be certified as a disadvantaged business. Consequently, any work it subcontracted in the future would not count toward meeting DBE goals on Federal-aid projects. (Department of Transportation)

Company Pays Penalty of $604,000 for False Claims

A U.S. District Court jury found a hardware supply company, and its president and vice-president, guilty of violations of the False Claims Act. The defendants were ordered to pay penalties totaling $604,000 to the Government. The court action stemmed from an OIG investigation initiated when a quality assurance specialist alleged that the company was not complying with the "Buy American Act" clauses in its GSA contracts. The investigators found that the firm purchased and used foreign-made steel, rather than contractually required domestic steel, when manufacturing hacksaw blades being sold to the Government. The firm then falsely certified to GSA that the blades were made with domestic products and attempted to conceal the actual source of the steel by removing shipping labels and destroying containers. (General Services Administration)

Reductions in BAS and COLA Saves $450,000 Annually

A Hotline caller alleged that the criteria for authorizing Basic Allowance for Subsistence (BAS) and Cost of Living Allowance (COLA) for unmarried military personnel stationed at Yokota Air Base were not being followed properly. Some unmarried military personnel were being paid more and sometimes double their authorized allowance. An Air Force regulation specifies that before BAS and COLA can be authorized, commanders must certify that duty hours and specialized duties prevent members from using base dining facilities, ground feeding or hot meal takeout service. Because commanders were interpreting the regulatory language differently, several organizations were awarding BAS and COLA based only on excessive temporary duty requirements. As a result of an investigation, Yokota Air Base initiated an installation-wide reverification of all squadron BAS and COLA authorizations, regardless of major command affiliation. The initiative resulted in a 25 percent reduction in BAS and COLA authorizations and in an estimated annual savings of about $450,000. (Department of Defense)

Official Rescinds Letter Approving Ineligible $400,000 Loan

The action of a Farmers Home Administration (FmHA) official was reviewed in response to a hotline allegation that he was in the

process of reversing a decision by a lower FmHA authority who had determined a farmer was ineligible for a FmHA loan because his farm operation did not meet the "family farm" criteria. Based on the findings, FmHA determined the farming operation was in excess of what could be considered a family farm by FmHA regulations and asked the official to rescind his decision, whereby he had overturned the lower FmHA decision and instructed a lower FmHA official to continue processing the guaranteed loan application. The review resulted in a cost avoidance of $400,000. (Department of Agriculture)

Grantee Required to Repay $40,076 in Talent Search Funds

An audit substantiated allegations that a non-profit organization receiving Talent Search program grant funds charged undocumented salaries and fringe benefits to the grant project. The audit also disclosed overclaimed indirect costs charged to the project by the grantee. As a result of the audit findings, the Department issued a final letter of determination requiring the grantee to refund a total of $40,076. (Department of Education)

Contractor Reimburses HUD $25,000

A single family preservation contractor entered into an agreement to reimburse HUD for $25,000 of expenses and to comply with other administrative requirements. The actions were taken after allegations were made that the company overcharged HUD and the VA for moving expenses of evicted, defaulted single family borrowers. (Department of Housing and Urban Development)

Contractor Falsifies Time Sheets

A recipient of JTPA funds submitted false time sheets indicating program work, when actually he was engaged in private business. The recipient received funds based on these falsified time and attendance reports. As a result of an investigation, $14,940 of questioned costs were disallowed. (Department of Labor)

Contractor Repays $10,000 in False Billings

A job corps contractor was submitting false billings. As a result of a complaint referred by the Complaint Analysis Office, the contractor entered into a settlement agreement. The agency recovered over $10,000. (Department of Labor)

Contracting Officials Involved in Coercion and Kickback Scheme

A contractor employee, who was the contracting officer for that company, attempted to coerce a contractor into hiring certain individuals as a prerequisite for obtaining a lucrative DOE contract. An investigation determined that this 15-year employee visited the contractor on several occasions and told the contractor how the contract would be carried out, who the contractor would hire, and how much the contractor would pay them. The contractor employee also demanded that the contractor hire him at a higher salary than he was then making if the firm wanted to receive the DOE contract. The investigation uncovered other accusations that the employee had been involved in kickback schemes for a number of years. The OIG agents subsequently seized the employee's contract records and the employee resigned the same day. (Department of Energy)

Contractor Illegally Transports Radioactive Material

Three DOE contractor employees allegedly illegally removed and transported highly radioactive material on public air transportation to and from Washington, D.C. several times. The radioactive material was removed without authorization. The transportation of the material violated the contractor's policy as well as DOT regulations. The DOE and the contractor are placing formal reprimands in the employees' personnel records and issuing a plan-wide notice, for the second time, on the procedures for proper removal from the facilities. (Department of Energy)

Welfare Recipient Must Repay Benefits

The Oregon Department of Human Resources informed the Inspector General that a woman had received three separate overpayments amounting to more then $3,800 from the Aid to Families with Dependent Children program. She had failed to report employment and other income, and the presence of the child's father in the house. The woman signed a confession of judgment, agreeing to return the amounts overpaid. (Department of Health and Human Services)

Motorpool Inspector Accepts Bribe

A motorpool inspector pled guilty to one count of accepting a bribe and subsequently resigned. The conviction resulted from a joint OIG and FBI investigation into a contractor's allegations that the inspector had solicited payments of $100 per week. In return, the inspector would send extra business to the contractor, and also advise the contractor on how to bill GSA for work that was not performed. The OIG and FBI special agents monitored three meetings during which the inspector accepted payments totaling $600 from the contractor. (General Services Administration)

Government Contractor Files False Time Cards

A contractor filed fraudulent time cards while working on a project for the DOL, Office of Workers Compensation. Admin-

istrative action was taken which required sign-in/signout logs for all contractor personnel and a notice was issued emphasizing the procedures for time verification sheets. (Department of Labor)

Housing Authority Chairman Resigns

A chairman of a housing authority's Board of Commissioners resigned after a review disclosed that he violated a conflict of interest provision of the authority's Annual Contributions Contract with HUD. The chairman failed to disclose his interest in firms conducting business with the authority. (Department of Housing and Urban Development)

Supervisory Special Agent Resigns

A U.S. Fish and Wildlife Service supervisory special agent resigned when confronted with charges of failure to follow instructions; unauthorized release of information; failure to remain impartial; concealment of facts; and making inappropriate recommendations concerning prosecution of an investigation. (Department of Interior)

Imprest Fund Cashier Terminated

An imprest fund cashier, who made personal use of $846 from the U.S. Fish and Wildlife Service imprest fund was terminated. Restitution will be obtained from the employee's retirement funds through the Office of Personnel Management. (Department of Interior)

Employee Suspended for 30 Days

An employee submitted a false accident report claiming he was on official business during official hours when he had an accident driving a Government all terrain vehicle (ATV). He later admitted to using the ATV on personal business. The employee had a good work record, including a special achievement award. Therefore, rather than being terminated, he was suspended for 30 days. (Department of Interior)

Mortgagor's Payment History Cleared of Delinquency

A mortgage company cleared a mortgagor's loan payment record of references to a deficient payment history and refunded incorrectly assessed late charges to the escrow account. The actions were taken following a review of allegations that the mortgagee's servicing department had incorrectly classified the mortgagor's account as delinquent. (Department of Housing and Urban Development)

Theft of Imprest Fund

A complaint alleged that a theft from an imprest fund had occurred. A review of this complaint disclosed that a fiscal assistant in charge of the fund was guilty of the theft of Government money. As a result, the employee received a suspension and was assigned to perform work which does not involve any responsibility associated with the imprest fund. (Environmental Protection Agency)

President's Council on Integrity and Efficiency Committees and Projects

The President's Council on Integrity and Efficiency (PCIE) provides leadership for Government-wide activities to reduce waste and abuse in Federal programs and operations. The Chairperson of the PCIE is Joseph R. Wright, Jr., Director of the Office of Management and Budget. Since it was established by Executive Order in March 1981, the Council has coordinated interagency efforts through standing committees and projects chaired by its members. Coordinating these committees and projects is the job of the Vice Chairperson, Richard P. Kusserow, Inspector General at the Department of Health and Human Services. The committees comprise an integral part of the Inspector General community. By sharing past experiences and applying new ideas, the Inspectors General are able to develop useful material for application throughout Government.

Assisting the PCIE in its integrity efforts are the following standing committees:

- Audit Committee
- Integrity/Law Enforcement Committee
- Computer Committee
- Administration, Inspections and Special Reviews Committee
- Legislation Committee

Audit Committee

(Chairperson, June Gibbs Brown, Inspector General, Department of Defense)

The Audit Committee provides a focal point for Inspector General positions on proposed new or revised accounting and auditing standards; addresses issues concerning nonfederal audit quality and responsibilities under the single audit concept; and conducts interagency audits and other projects, including studies, reviews and other means of addressing multi-agency issues which do not lend themselves to an audit approach, but which deal with significant oversight and policy matters relating to the integrity, economy and effectiveness of Government programs and operations.

Standards Subcommittee

(Chairperson, James B. Thomas, Jr., Department of Education)

This Subcommittee addresses issues related to professional auditing and accounting standards. The Subcommittee manages several ongoing projects. The Subcommittees' FY 1988 accomplishments include:

- **Study of the Disciplinary State Boards of Accountancy**

The study identifies obstacles to the timely and effective processing of complaints and referrals of substandard audits, and offers suggestions for improvements. A report was issued in February 1988. Procedures are being developed that will provide a uniform referral package for Federal OIGs to use.

- **Expansion of the "Florida Experiment"**

A proposal was submitted to the National Association of State Boards of Accountancy that the Federal IGs provide the State boards with copies of correspondence to practitioners identifying audit deficiencies. That proposal is an expansion of the "Florida Experiment," whereby members of the Southeastern Intergovernmental Audit Forum provided the State board with copies of such correspondence sent to independent public accountants licensed in Florida.

- **Dialogue on Audit Quality Issues**

The subcommittee sponsored two meetings with representatives of selected Certified Public Accountant (CPA) firms, various professional groups and several IGs. The purpose of the meetings was to continue the dialogue on audit quality issues begun at earlier meetings of the group.

- **Accounting and Financial Reporting for Capital Assets of Governmental Entities**

Comments were submitted to the Governmental Accounting Standards Board (GASB) on the discussion memorandum, "Accounting and Financial Reporting for Capital Assets of Governmental Entities." The GASB was gathering views of interested parties on issues involving the current and alternative methods of accounting and financial reporting for capital assets.

- **Single Audits**

A PCIE Position Statement (Number 3) was issued to provide IGs additional guidance on preliminary reviews of internal controls over nonmajor programs in a single audit.

- **Quality of Nonfederal Audits**

Where Federal agencies rely on audits performed by nonfederal auditors, the Federal Inspectors General are responsible for assuring that these audits meet applicable Federal standards. A complete description of PCIE work in this area is contained in Appendix 2 - Quality of Nonfederal Audits.

- **Comments on Proposed Professional Pronouncements**

Comments were submitted on exposure drafts of the following proposed professional pronouncements: (1) proposed audit and accounting guide, "Audits of Government Contractors," issued

by the American Institute of Certified Public Accountants (AICPA); (2) proposed AICPA statement on auditing standards, "Compliance Auditing: The Auditor's Responsibility for Testing Compliance with Laws, Regulations, and Contractual Terms Governing Financial Assistance Certain Entities Receive From Government;" and the proposed statement of financial accounting standards, "Deferral of the Effective Date of Recognition of Depreciation by Not-For-Profit Organizations," issued by the Financial Accounting Standards Board.

Project Subcommittee

(Acting Chairperson, Leon Snead, Acting Inspector General, Department of Agriculture)

During FY 1988 the subcommittee refined and fully implemented a strategic planning process which focuses on the President's Management Improvement Plan. In addition, a number of new projects were initiated covering areas such as Relocation Services, Contracted Advisory and Assistance Services, and liquidated Balances. The following projects were completed during the reporting period:

- **Coordinated Review of Guaranteed Loans, Segment I**

(Acting Chairperson, Leon Snead, Acting Inspector General, Department of Agriculture)

The review evaluated agency actions to implement the Nine Point Credit Management Program applicable to awarding and servicing guaranteed loans and collecting delinquent claims arising from defaults on guaranteed loans. The review found that, since 1985, the agencies reviewed made considerable progress toward implementing provisions of OMB Circular A-129 and the Nine Point Credit Management Program. However, further improvements are needed by the agencies to ensure that the credit management techniques of the program are fully applied to guaranteed loans. The agencies reviewed had not implemented one or more of the specified collection techniques to recoup $9.3 billion in delinquent guaranteed loan claims and reduce losses. The participating PCIE members made recommendations to their respective agencies, where necessary, to improve the effectiveness of credit management initiatives. In some cases, agencies faced impediments that need to be addressed by OMB, Treasury or Justice. These points were reviewed and provided to those agencies for action.

- **Indirect Costs Charged by State and Local Governments**

(Chairperson, J. Brian Hyland, Inspector General, Department of Labor)

The study was performed to determine the most equitable method(s) of providing assurance that State and local governments are reimbursed only the Federal Government's fair share of indirect and administrative costs. The final report recommended (1) the OMB Compliance Supplement be revised to include detailed procedures on direct costs and (2) the audit determined rate method for establishing indirect cost rates be adopted. The study also produced a proposed compliance supplement for indirect costs.

- **Systems Development Monitoring Report**

(Chairperson, J. Brian Hyland, Inspector General, Department of Labor)

The project was performed to survey the Inspectors General for their work in the system development area and draw conclusions about system development efforts. The final report summarizes the experience and findings of the Inspectors General based on their 97 reports issued between October 1, 1985 and August 1, 1987. In general, the IGs have reported that millions of dollars in federal funds are wasted in the system development process through poor management and planning which results in: (1) the development of ineffective and inefficient systems, (2) delayed system installation, and (3) cost overruns. The report concludes that early IG involvement in the planning and management of systems development will assist in improving systems and saving costs.

- **Management of Small Computers**

(Chairperson, June Gibbs Brown, Inspector General, Department of Defense)

The review was performed to determine the need for an audit of the management of small computers Government-wide. Generally, the participants believed that the matter had been covered in prior audits and that audit resources could be better used on other projects. The participating agencies identified 103 audit reports issued between January 1984 and July 1987 that included small computers in their scope. They Advisory Report is an analysis of these reports and will be helpful to not only the audit community in planning future audits but also to agency personnel who acquire and manage small computers.

- **Summary Report on Contracted Advisory and Assistance Services**

(Chairperson, June Gibbs Brown, Inspector General, Department of Defense)

The report represents the first of three reports to be issued under the task force involving Contracted Advisory and Assistance Services (CAAS). Phase One was to review and analyze prior audit reports concerning CAAS activities and to identify significant findings and recommendations regarding the management and control over CAAS contracts.

The task force reviewed 142 audit reports issued since 1980 by the Inspectors General, the General Accounting Office and other Government entities. The report categorized the findings and recommendations into eight categories. It also provides observations and recommendations to OMB on what further improvements are needed in the management and control of CAAS contracts.

Integrity/Law Enforcement Committee

(Chairperson, Oliver B. Revell, Executive Assistant Director for Investigations, Federal Bureau of Investigation)

This Committee serves as the focal point for projects of mutual interest concerning integrity and law enforcement issues. Projects completed during this Fiscal Year include:

- **Characteristics of Successful Procurement and Financial Investigations**

(Chairperson, John C. Layton, Inspector General, Department of Energy)

This project was initiated to identify and catalog investigative techniques that have been used to develop successful procurement and financial investigative cases. The study analyzed 459 successful cases to ascertain general characteristics which would assist Supervisors and Agents in working future cases. The results of this project were disseminated throughout the PCIE.

Computer Committee

(Chairperson, J. Brian Hyland, Inspector General Department of Labor)

This Committee serves as a technical resource to the PCIE in the use of computers in the IG community and as a focal point for common IG projects involving data processing and telecommunications. The Committee also represents PCIE interests in supporting necessary access to automated records and has supported the careful use of computer matching techniques by the OIGs. Projects completed during this period include:

- **Computer Systems Integrity**

(Chairperson, John W. Melchner, Inspector General, Department of Transportation)

This project was designed to assess the integrity of Federal computer systems and develop recommendations for Government-wide improvements in standards, procedures, documentation and operations affecting computer systems integrity.

The project's Task II A product, "Review of General Controls in Federal Computer Systems," describes the existence of serious operating systems and security software control deficiencies at all agency computer centers reviewed. The report also identified opportunities to recover an estimated $17 million in inefficiently used disc storage. The report made numerous recommendations to the Office of Management and Budget, National Institute of Standards and Technology, National Security Agency and General Services Administration designed to address these problems.

- **Electronic Data Processing Systems Review and Security Project**

(Chairperson, Richard P. Kusserow, Department of Health and Human Services)

This project was designed to facilitate audit reviews of automated information systems under development. The project's final product is "Guide to Auditing for Controls and Security: A Systems Development Life Cycle Approach." The guide is designed to be used in understanding the need for audit involvement in systems under development, identifying systems for audit review, and creating an audit program for review of an automated information systems during each phase of the system development life cycle.

- **Applications of Computer Card Technology**

(Chairperson, J. Brian Hyland, Inspector General, Department of Labor)

This inventory of public sector uses of online and offline computer systems using card technology and related devices aims at providing an overview both of applications in actual operation and also of well developed proposals which have reached at least the advanced planning or request for proposal stage, as of September 1988. The inventory includes both government collection and disbursement activities using cards. Wherever possible, the report describes the application and how it works, and supplies information on costs and possible benefits, transaction volume, dollar amount, and the name, address and telephone number of an individual with knowledge of and responsibility for the application.

Administration, Inspections and Special Reviews Committee

(Chairperson, John C. Martin, Inspector General, Environmental Protection Agency)

This Committee serves as the focal point for common IG projects which require inspection resources, management reviews, special surveys, or analyses not strictly of an auditing or accounting nature. This Committee has two subcommittees: Communications (Chairperson, Michael R. Hill, Inspector General, Department of the Treasury) and Training (Chairperson, William R. Barton, Inspector General, General Services Administration).

Chief among the responsibilities of the Communications Subcommittee is the PCIE newsletter which is published bimonthly. That Subcommittee has also been responsible for a report commemorating the tenth anniversary of the Inspector General Act of 1978. A pamphlet on implementing the Program Fraud Civil Remedies Act of 1986 and a compendium of PCIE reports and publications were also published.

The five working groups making up the Training Subcommittee address: auditor, investigator, support services, hotline and executive training needs. They arrange Development Seminars and other training designed to increase the skills and knowledge of employees throughout the PCIE.

- **Entry Level Recruitment Project and the Special Pay Rate Subcommittee**

(Chairperson, John Melchner, Inspector General, Department of Transportation

The objective of the project was to make recommendations to OPM which would enhance the recruitment of auditors at the entry level and to assist in the implementation of these recommendations. Also, the Special Pay Rate Subcommittee (Chairperson, Paul A. Adams, Inspector General, Department of Housing and Urban Development) was established to gather statistics and advance OIG community efforts to get special pay rates established in certain geographic areas for entry level auditors and accountants.

The Entry Level Recruitment Project group has made their recommendations and continues to work with OPM to change the rating criteria for entry level auditors to stress the recency of the applicant's college degree. The Special Pay Rate Subcommittee recommended to OPM that entry level starting salaries of auditors and accountants be increased in certain geographic areas. Special pay rates in certain areas have been granted by OPM and agencies are working to implement them.

- **Survey on Forwarding Penalty Information to the Internal Revenue Service**

(Chairperson, John C. Martin, Inspector General, Environmental Protection Agency)

Forwarding penalty information to IRS could better ensure that violators do not deduct penalties as business expenses. When this occurs, the penalties deterrent effect is diminished. Also, the agency's goal of obtaining equity among the regulated community by removing any profit resulting from violating laws or regulations, is defeated.

The report found that some agencies which have assessed millions of dollars in fines do not routinely forward penalty information to the IRS. The report recommended that agencies with significant penalty provisions should consider establishing procedures for submitting penalty information to the IRS and that those agencies' OIGs should consider reviewing this matter.

- **Civil Monetary Penalties**

(Chairperson, Richard P. Kusserow, Inspector General, Department of Health and Human Services)

This project, initiated at the request of the Senate Subcommittee on Oversight of Government Management, catalogued civil monetary penalties (CMP) from all agencies with statutory Inspectors General, plus the Departments of Treasury and Justice, and the smaller agencies represented by the PCIE Coordinating Conference. The final report documents a total of 311 different CMP amounts ranging from $10 to $1,000,000, excluding the Internal Revenue Service and the tax code. Although many penalties were established or have been updated since 1981, some penalties date back to as early as 1793. Consequently, the effect of S.1014 is negligible in approximately 40 percent of the cases, but would increase older CMPs by as much as 1,089 percent.

Legislation Committee

(Chairperson, Charles R. Gillum, Inspector General, Small Business Administration)

The Legislation Committee assists the Inspectors General in fulfilling their responsibility to review existing and proposed legislation relating to programs and operations of their agencies, and develops coordinated positions on behalf of the PCIE when addressing legislative issues of general interest and concern to members. The committee tracks legislative items deemed to be of interest to PCIE members, solicits comments on pending legislative proposals from the members, and formulates a PCIE position for transmittal to the appropriate Congressional committees. During the past year the Committee tracked 65 legislative proposals, including the following measures:

- The Inspector General Act Amendments of 1988, P.L. No. 100-504 was signed into law by President Reagan on October 18, 1988. This measure received considerable Committee time and attention. The Committee received extensive comments from the Inspector General members of the PCIE, developed a strong position supporting the bill, and communicated this position to the congressional committees considering the proposal.

- The Federal Employees Liability Reform and Tort Compensation Act of 1988, H.R. 4612, passed the House in June and the Senate with amendments in October. The measure is currently awaiting House action on the Senate amendments and is expected to be enacted. The Committee solicited comments on this measure and has sent position letters supporting the bill, which would substitute the United States as a defendant for Federal employees who would otherwise be personally liable for actions performed within the scope of their employment.

- PCIE positions were also developed and transmitted to Congressional committees regarding, among other issues, the following legislative proposals: multiple Inspectors General in an agency; establishment of a chief financial officer in each agency; whistleblower protection; settlement of contract disputes; Inspector General testimonial subpoena authority; telephone monitoring; and amendments to the Hatch Act.

PCIE Membership Addresses and Hotline Numbers

Department of Agriculture
Room 248E, Administration Building
Washington, DC 20250
(800) 424-9121/(202) 472-1388

Agency for International Development
21st and Virginia Avenue
Room 5644, New State Building
Washington, DC 20523
FTS 235-3528

Department of Commerce
14th and Constitution Avenue, NW
Room 7898-C
Washington, DC 20230
(800) 424-5197/(202) 377-2495

Department of Defense
400 Army-Navy Drive
Arlington, VA 22202
(800) 424-9098/(202) 693-5080

Department of Education
330 C Street, SW
Room 4006 Switzer Building
Washington, DC 20202
(800) 647-8733/(202) 755-2770

Department of Energy
1000 Independence Avenue, SW
Room 5D039, Forrestal Building
Washington, DC 20585
(202) 586-4073/FTS 896-4073

Environmental Protection Agency
401 M Street, SW
Room NE 301
Washington, DC 20460
(800) 424-4000/(202) 382-4977-FTS 382-4977

Federal Bureau of Investigation
Room 7116, J. Edgar Hoover Building
Washington, DC 20530
(202) 324-3333

General Services Administration
18th and F Streets, NW
Room 5340
Washington, DC 20405
(800) 424-5210/(202) 566-1780
FTS 566-1780

Department of Health and Human Services
330 Independence Avenue, SW
Room 5250, North Building
Washington, DC 20201
(800) 368-5779/(301) 597-0724
(in Maryland)
FTS 987-0724

Housing and Urban Development
451 7th Street, SW
Room 8256
Washington, DC 20410
(202) 472-4200/FTS 472-4200

Department of Interior
18th and C Streets, NW
Room 5346
Washington, DC 20240
(800) 424-5081/(202) 343-2424

Department of Justice
Room 4111, Main Justice Building
Washington, DC 20530
(202) 633-3365

Department of Labor
200 Constitution Avenue, NW
Room S1303
Washington, DC 20210
(800) 424-5409/FTS 357-0227

National Aeronautics and Space Administration
400 Maryland Avenue, SW
Room 6075
Washington, DC 20546
(800) 424-9183/(202) 755-3402

Office of Government Ethics
1625 K Street, NW
Room 400
Washington, DC 20004
632-7642

Office of Management and Budget
Room 252, OEOB
Washington, DC 20503
395-4000

Office of Personnel Management
1900 E Street, NW, Room 7353
Washington, DC 20415
(202) 632-4423/FTS 632-4423

Office of the Special Counsel
1120 Vermont Avenue, N.W.
Washington, DC 20419
653-9125

Railroad Retirement Board
844 Rush Street, Room 450
Chicago, Illinois 60611
800-772-4258/FTS 386-4336
312-751-4336

Small Business Administration
1441 L Street, NW, Room 1018
Washington, DC 20416
(202) 653-7557/FTS 653-7557

Department of State
2201 C Street, NW
Room 6821, New State Building
Washington, DC 20520
(202) 647-3320

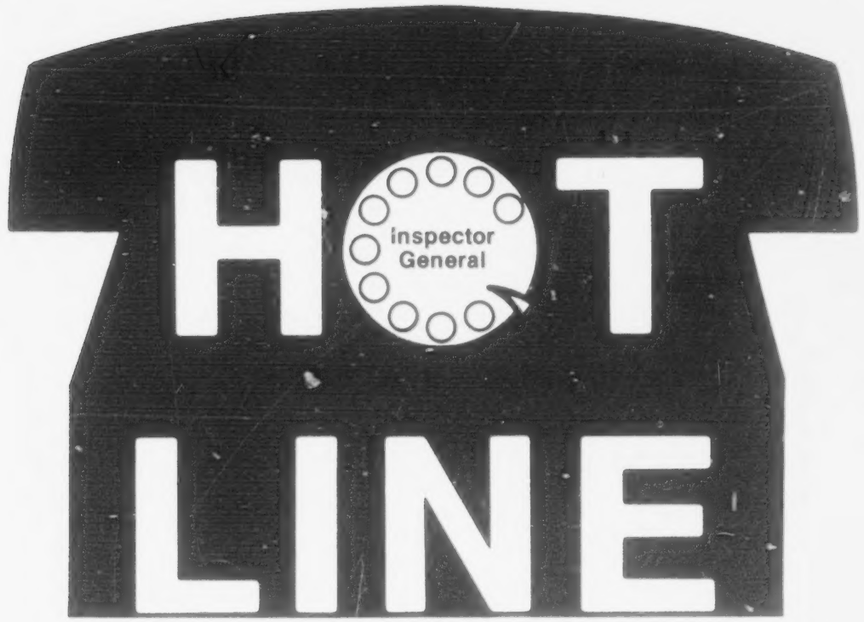
Department of Transportation
400 7th Street, SW
Room 9210
Washington, DC 20590
(800) 424-9071/(202) 366-1461

Department of the Treasury
15th and Pennsylvania Avenue, NW
Room 2412
Washington, DC 20220
(800) 826-0407/(202) 566-7901

United States Information Agency
400 6th Street, SW, Room 1100
Washington, DC 20547
(202) 485-7931/(202) 485-8203

Veterans Administration
1425 K Street, NW
Room 1100 McPherson Bldg.
Washington, DC 20420
(800) 368-5899/(202) 233-5394
FTS 373-5394

CONTACT



You Can Help

Report: Fraud, Waste or Mismanagement

- Information is Confidential
- Caller Can Remain Anonymous

See inside front and back covers for listing of Offices of Inspector General and Hotline Numbers.